

FINANCIAL TIMES

WEEKEND JUNE 18/JUNE 19 1994

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Europe's Business Newspaper

France prepared
to send 2,000
troops to Rwanda

France yesterday offered to send troops to stop the ethnic killing in Rwanda, but only Italy gave so much as a half-promise to support the French move. Paris told the nine-nation Western European Union defence group it was ready to send a battalion and reinforce it up to a strength of 2,000 if necessary. In Rwanda, meanwhile, UN-brokered peace talks stalled after rebels killed a peacekeeper, and a pro-government militia stormed a hotel sheltering refugees. Page 3

Belfast children attacked: A man wielding a flame thrower injured six children as they sat at an A-level examination at school in Co. Down, Northern Ireland. Three were seriously hurt.

Ball meeting today: Both sides in the rail dispute are due to meet today for talks aimed at averting another strike over pay. Page 4

Metallgesellschaft: the heavily-indebted German mining, metals and industrial group, has raised DM1.2bn (£490m) from the sale of its near-90 per cent stake in Buderus, an engineering and building supplies subsidiary. The sale was handled jointly by Deutsche Bank and Dresdner Bank via an international share placing. Page 11

Greycoat launches rights issue: The property company rescued from near-collapse last year launched a £47m rights issue to buy and refinance part of a London office and retail property. Greycoat made a £40m pre-tax loss for the year to end-March but returned to profits in the second half. Page 10; Lex, Page 24

Footballers on charges: US football star O.J. Simpson was charged in connection with the murders of his ex-wife and a male companion.

Unisys: US computer company, warned slow sales of mainframes in Europe would mean lower-than-expected second-quarter earnings. Its shares fell from \$10 to \$9. Page 11

LVMH optimistic on profits: The French luxury goods group expects net profits to rise by more than 30 per cent in the first half of this year as the luxury goods industry recovers. First-half profits last year were FFr25m (£10m). Page 11; Lex, Page 24

Pharmacia offer oversubscribed: Sweden will raise SEK9.4bn (£800m) from the sale of a 47.4 per cent voting stake in world-class drugs group Pharmacia. The government offer was heavily oversubscribed. Page 11

Aeroflot: the Russian airline which has been split into 321 small airlines, plans to sell a 49 per cent stake at a privatisation auction, airline officials told Reuter. The airline became a joint stock company this week.

FT-SE 100 Index
Hourly movements
3,080
3,060
3,040
3,020
3,000
2,980
2,960
2,940
2,920
2,900
2,880
2,860
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2,820
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360
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320
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260
240
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Source: Reuters

Militant leader killed: Indian forces killed 19 suspected Kashmiri separatists, officials said, including a leader of the group that has kidnapped Britons Kim Wallsgaard, 16, and David Mackie, 36.

Dublin exchange opens: Europe's only floor-traded currency futures exchange opened in Dublin as FINEX Europe, a futures and options division of the New York Cotton Exchange, began offering currency futures.

Vietnam in gas venture: British Gas TransCanada Pipelines and Japan's Mitsui signed a deal with state oil company PetroVietnam on Friday for a feasibility study on a \$400m (£265m) project to open Vietnam's natural gas market.

Body search is over: Police called off their Gloucester-centred search for human remains after four months. Builder Frederick West, 52, has been charged with 11 murders and his wife Rosemary with nine.

Cricket: England won 94 for the loss of Alec Stewart's wicket in reply to New Zealand's 476 in the second test at Lord's in London.

EU STOCK MARKET INDICES		US STERLING	
FT-SE 100	262.9	(-7.2)	New York unchanged
Yield	4.05	5	5.33
FT-SE Banktrack 100	1,025.4	(-6.42)	London
FT-SE All-Share	1,025.4	(-6.42)	5 1,573.5 (1,520)
Index	1,025.4	(-6.42)	DM 2,476.5 (2,403)
New York Composite	2,150.30	(+32.33)	SF 5,446.9 (5,454)
Dow Jones Ind Ave	3,767.83	(+23.47)	SF 2,028.4 (2,048)
S&P Composite	459.72	(+2.21)	Y 157.255 (157.074)
FT-SE 100 Index			2 Index 58.0 (same)
US DOLLAR		Source: Reuters	
New York unchanged			
DM	1.0720		
FF	5.5005		
SF	1.3000		
Y	102.59		
DM	1.0299		
FF	5.5005		
SF	1.3705		
Y	101.405		
EURO		Source: Reuters	
New York unchanged			
DM	1.2020		
FF	5.5005		
SF	1.3705		
Y	101.405		
US LONDON MONEY		Source: Reuters	
3-mo Interbank	5.1%	(same)	
Libor 3m libor	5.1%	(same)	
3-mo Interbank	5.1%	(same)	
Libor 3m libor	5.1%	(same)	
EUROPEAN MONEY		Source: Reuters	
3-mo Interbank	5.1%	(same)	
Libor 3m libor	5.1%	(same)	
NORTH SEA OIL (Argus)		Source: Reuters	
Brent 15-day (Augus)	517.16	(16.04)	
US Gold	533.7	(38.5)	
New York Comex (Aug)	533.7	(38.5)	
London	536.20	(38.3)	
US LONDON RATES		Source: Reuters	
Federal Funds	4.1%		
3-mo Trea Bills, Ym	4.27%		
Long Bond	7.4%		
Yield	7.42%		
US LONDON MONEY		Source: Reuters	
3-mo Interbank	5.1%	(same)	
Libor 3m libor	5.1%	(same)	
3-mo Interbank	5.1%	(same)	
Libor 3m libor	5.1%	(same)	
NORTH SEA OIL (Argus)		Source: Reuters	
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London	536.20	(38.3)	

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Life insurers criticised for poor surrender values

Some customers would have been better off holding cash, says OFT study

By Norma Cohen,
Investments Correspondent

reinforce the OFT's campaign for greater disclosure of costs and charges by insurance companies.

The OFT cites industry studies showing that one quarter to one third of all policies lapse in the first two years alone.

Sir Bryan Carsberg, director general of fair trading, said: "On the basis of assumptions about lapse rates and projections of surrender and maturity values, the policyholders of some companies appear to receive average rates of return which are no more than marginally positive, or even negative."

For instance, on a 10-year

"with-profits" policy, involving payments totalling £1,000 in premiums over the first five years, the policyholder would earn a refund of £3,315 from Eagle Star and £2,344 from National Provident Insurance.

On a 25-year unit-linked policy, where £3,000 in premiums had been paid in the first five years, Scottish Mutual would refund £2,534 while Allied Dunbar would repay just £1,500.

The study shows that several companies that offer the worst early surrender values are also those which have been fined or disciplined by Lantre, the self-

regulatory body for the life insurance industry, for mis-selling. They include Guardian, London and Manchester, Reliance Mutual, Legal and General and Colonial Mutual.

Other companies offering poor value to early leavers in at least two product types are Royal Life, Axa Equity and Law, Irish Life and Pearl.

Only one company whose products rank in the top five of value for money on early surrenders - Norwich Union - has been fined for poor sales practices. Equitable Life ranked in the top five for almost all products.

The study also examined the profit margin earned on each policy in each year of its life and concluded that for some companies, greater profits are earned on policies that surrender earlier.

"For a few companies, the pattern of profits suggests that returns to the company are higher when more policyholders surrender early with significant losses," Sir Bryan said.

The Surrender Values of Life Insurance Policies, Office of Fair Trading, OFT PO Box 2, Central Way, Fethard TW4 0TG

Finance and the Family, Page III

US disarray
over policy
on sanctions
for N KoreaBy John Burton in Seoul and
Alexander Nicoll in London

US diplomatic efforts to resolve the North Korean nuclear dispute were in confusion last night after indications of a breakthrough during talks in Pyongyang were disavowed by President Clinton.

Mr Jimmy Carter, the former US president seeking to broker a solution on a private visit to Pyongyang, told Mr Kim Il-sung, the North Korean dictator: "I would like to inform you that they have stopped the sanctions activity in the United Nations."

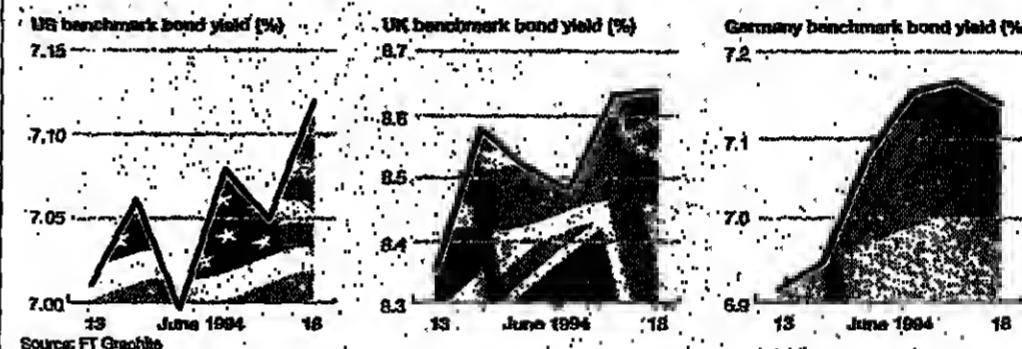
During his talks, North Korea indicated it was willing to remain a party to the nuclear non-proliferation treaty (NPT), and Mr Kim said two inspectors from the International Atomic Energy Agency could remain at the North's nuclear complex in Yongbyon, North Korea withdrew from the IAEA this week.

However, Mr Clinton denied in Chicago there had been any change in US policy, which he had outlined on Thursday, to seek UN sanctions to punish North Korea for its failure to open its nuclear facilities to international inspection. He had said the US would continue to seek sanctions while it explored the credibility of the latest North Korean offer.

Mr Clinton said: "I don't know what he [Mr Carter] said, and I don't know that you know what he said. All I know is what I said.

Continued on Page 24

Political uncertainty and inflation fears push up bond yields



Source: FT Graphics

Political uncertainty following elections

to the European parliament earlier this month reinforced the bearish sentiment which has dogged the markets since the start of the year.

The US bond market outperformed European markets last week, as German

bond prices fell 3 points.

Italian bonds posted the worst losses

last week, as concerns about the new government's handling of the budget deficit mounted.

Report, Page 21; Hard times for gilts, Wkd V

Gummer set for row with developers

By Andrew Taylor,
Construction Correspondent

Mr John Gummer, environment secretary, looks set to anger housebuilders by restricting the supply of development land in one of the country's most sought-after housing markets.

Environment department officials have suggested to Berkshire county council that the government would prefer it to limit the supply of housing land in its forthcoming structure plan to 40,000 homes between 1991 and 2006. This is one-sixth less than the 48,000 homes recommended by DEE inspectors following a public inquiry last year.

The intervention is non-binding but is understood to reflect Mr Gummer's desire to strike a balance between the needs of development and of protecting the countryside.

It comes as the government struggles to recapture the allegiance of traditional supporters

NEWS: INTERNATIONAL

Belgian PM's candidacy increases prospects of deadlock at EU's Corfu summit

Dehaene to run for Brussels presidency

By David Gardner in Brussels

Prospects of a deadlock at next week's summit of European Union leaders on the choice of a successor to Mr Jacques Delors as European Commission president increased yesterday as Mr Jean-Luc Dehaene, Belgium's prime minister, formally declared himself a candidate.

Within an hour of the announcement, senior government allies of Mr Ruud Lubbers, the retiring Dutch prime minister, underlined at a press conference in The Hague that the Netherlands would not consider withdrawing Mr Lubbers' candidacy.

The Dutch premier, until recently considered the front-runner for the job, had announced he was seeking the job in May, but delayed a formal declaration until after last month's

general elections in the Netherlands - in which his Christian Democrats lost their position as leading party.

Mr Dehaene, also a Christian Democrat, was in April approached by President François Mitterrand of France and then Chancellor Helmut Kohl of Germany to make himself available for the job, according to Belgian officials. But until yesterday he had refused to confirm he was seeking Mr Delors' mantle.

Mr Dehaene said he was making his candidacy public to remove all doubt that he had the full backing of the Belgian government, which published a statement calling for the support of Belgium's EU partners at the EU summit in Corfu next Friday. Fears have been expressed that Belgium's centre-left coalition could fall apart if Mr Dehaene steps down.

If both these Christian Democrats from small member states fight to the end, they risk letting in an outside candidate.

Sir Leon Brittan, the British EU trade commissioner, has campaigned openly for the job all year, with discreet backing from the UK. Mr Peter Sutherland, outgoing director general of the General Agreement on Tariffs and Trade, made clear he was available last month.

Although his chances were dismissed by his government in Ireland, some senior EU officials still believe Mr Sutherland has an outside chance as a tie-breaker in the event of a stand-off in Corfu. Sir Leon's chances are marred because Britain held the job, with Lord (Roy) Jenkins in the early 1980s, because the UK's partners are suspicious of its intentions

towards European Union, and because by convention, after the 10-year tenure of the Frenchman Mr Delors, the job should now fall to a small member-state.

Christian Democrat leaders meet in Brussels on Wednesday to try to agree a single candidate.

This would be likely only if Mr Lubbers could be found a commensurate international position, such as secretary general of Nato, a job not in the EU gift. The Dutch premier was in Rome yesterday to lobby Mr Silvio Berlusconi, the Italian prime minister, being assiduously courted by all candidates as a "swing vote" at Corfu.

And this jockeying for top international positions, Mr Dehaene remarked yesterday that if he was not chosen, "I still have my job" as Belgian premier.

● Greece has nominated Mr Christos Papoutsis of the governing Panhellenic Socialist Movement as its European commissioner for environmental affairs, write Katerina Hope in Athens and William Lewis in London.

Mr Papoutsis, seen as a Pasok moderate, was re-elected to the European parliament last week. He would replace Mr Yannos Paleokrassas, a conservative former finance minister.

The nomination has caused irritation in Brussels, where officials say protocol has been broken.

"The idea was to wait until the new president had been nominated and then let him have a certain influence in composing his team," one official said.

The nomination appears to be aimed at pre-empting yet another dispute within Pasok.

Procedo chief held as Balsam scandal spreads

By David Walker in Frankfurt

ness with Balsam.

Under a conventional factoring arrangement, the factoring company advances cash to its client against the security of unpaid invoices. It then takes a commission for the service and assumes responsibility for collecting the clients' receivables.

Bankers were told yesterday that Balsam obtained finance from Procedo on the basis of grossly inflated or fictitious contracts with overseas customers. They heard, for example, that the true value of UK contracts factored by Procedo was just £250,000, compared to £76m in Procedo's books.

Most of the contracts relate to the US, where Balsam had a business building sports arenas for schools and local authorities. Many of the contracts against which finance was raised allegedly did not exist but Procedo advanced the cash on the basis of "comfort letters" purporting to be from the St Louis office of the Arthur Andersen accountancy firm. These letters were forged and Andersen has said it did not know about the letters - which date back to 1984 - until June this year.

The latest arrest came on the day that creditor banks met in Wiesbaden to formulate their response to what is developing into one of Germany's largest post-war fraud scandals.

Bankers are owed DM1.74bn (£956m) by Procedo and face a further DM300m to DM400m in losses arising from transactions undertaken by Balsam in the derivatives markets. These are believed to have a gross value of up to DM1.6bn, dwarfing Balsam's turnover of DM465m last year.

Bankers were told yesterday that the fraud had been in place for up to 10 years before it was discovered this month. According to the head of the Frankfurt branch of a UK bank, "it was the perfect scam", at the heart of which were faked applications for finance from the Procedo factoring company which controlled two-thirds of its business.

Oslo agrees terms with Phillips on Ekofisk field

By Karen Fossel in Oslo

Phillips Petroleum Norway, which holds 37 per cent of Ekofisk, had been reluctant to invest further in it because its operating licence ran only up to 2011, long before production was due to end.

Under the deal, Mr Jens Stoltenberg, the industry and energy minister, said the government would extend Phillips' licence to 2028 and waive a production tariff for the new facilities during the period 1999-2028, saving an estimated Nkr290m. These two concessions helped pave the way for Phillips to commit itself to the investment for the new facilities, as they undermined the economic viability of the field.

The government estimates the sales value of petroleum resources in the field at Nkr130bn between 1999 and 2028, based on an oil price of Nkr105 a barrel.

The government also said it would take a direct 5 per cent stake in Ekofisk separate from that of Statoil, the Norwegian state oil company, which holds 50 per cent of Procedo, is not willing to advance cash to rescue the factoring company, AKV is itself 50 per cent owned by Allianz, Europe's biggest insurance company, and Munich Re, its reinsurance associate.

The representatives of the 50 oil companies were believed to have expressed anger yesterday that Allgemeine Kreditversicherung, the Mainz-based insurance company which owns 50 per cent of Procedo, is not willing to advance cash to rescue the factoring company, AKV is itself 50 per cent owned by Allianz, Europe's biggest insurance company, and Munich Re, its reinsurance associate.

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The new Ekofisk plan calls for the construction of a simple well-head platform to accommodate 40 wells and for a processing and treatment platform. The well-head platform is due to be installed in 1996 and will use existing processing and treatment facilities until the replacement platform is completed for operation from 1998. Phillips will close seven existing platforms when the new processing and treatment platforms become operational.



Russian soldiers at a US-Russian veterans' celebration earlier this year stand by a bridge near Torgau, east Germany, where US and Soviet forces met 45 years ago near the end of the second world war. The bridge was blown up by road authorities yesterday

Nordic parties to decide on EU

By Hugh Carnegy in Stockholm

A big step forward in persuading the people of Finland, Norway and Sweden to support membership of the European Union should be taken this weekend when three key political parties hold special conferences to decide official policy on the issue.

The Centre party of Prime Minister Esa Aho in Finland, Mrs Gro Harlem Brundtland's ruling Labour party in Norway and the powerful Swedish Social Democratic party will all make a formal decision on whether to back membership in their respective referendums to be held in October and November.

All three parties harbour strong anti-EU factors, but in each case the pro-membership stance of the party leaderships is expected to prevail, allowing the leaders to throw their party machines behind the Yes campaign.

Last Sunday's decisive vote in favour of EU membership in fellow applicant Austria has given the Yes camp in the Nordic countries a boost. A poll this week in Finland, which will vote next on October 16, put support for the EU at 47 per cent, with 32 per cent against and 21 per cent undecided. But the No side remains firmly in the lead in Sweden, which votes on November 13, and in Norway, which votes on November 28.

The sharpest debate is likely in Finland, where Mr Aho has tied his future as party leader

Europe chemical recovery grows

By Daniel Green

Recovery in western Europe's chemicals industry is accelerating, according to the European Chemical Industry Council (Cefic).

"The west European chemicals business is benefiting from the economic recovery currently under way," said Mr Simon de Brue, Cefic's incoming president and chairman of Dutch chemicals group DSM.

Western European chemicals output should rise by 2 per cent in 1994, faster than the 1.5 per cent seen at the start of the year and compared with a contraction of 1 per cent past year, he said yesterday.

"Our optimism is also justified by the favourable trend of stocks and order book," he said. "Stocks of finished products were continuously reduced during the second half of 1993, returning to normal levels in early 1994. This destocking marks the preliminary steps of a revival."

He admitted, however, that growth in Europe was still too weak to create a large rebound

or to begin to catch up with the US chemicals industry.

Nevertheless, annual sales of more than Ecu300bn (£230bn), the western European chemicals industry remained the biggest in the world.

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types of weapons - including jointly produced weapons; [co-operation over] arms control and disarmament, and the fight against nuclear and any other form of terrorism."

Most of these ideas are broadly acceptable to Nato, as long as the west can choose when it wants to discuss these issues with Russia and when it wants to keep the discussion private.

Russia's aim is exactly the opposite. It wants its right to participate in western deliberations on broad security issues to be as formal as possible.

The Russian proposal's inclusion of non-proliferation and nuclear terrorism is a reminder that on these issues, its interests coincide to a broad extent with those of the west. Moscow has no wish to see rogue regimes or, even worse, rogue individuals in control of nuclear weapons.

However Russia is keenly aware of how badly the US needs its vote on the UN Security Council for any moves to put pressure on North Korea and other potential nuclear rogues.

Mr Kozhrev will be discussing this issue with Mr Warren Christopher, the US secretary of state, before signing up to PFP.

Conceding to Russian aspirations on the form - and even the content - of its relations with Nato may turn out to be the price that the US and other western countries are obliged to pay for securing Moscow's co-operation in dealing with nuclear miscreants.

Russia knocks on west's doors

Moscow wants to enter three clubs, on its own terms, writes Bruce Clark

the subject of vigorous negotiations over the next four days.

Mr Vitaly Churkin, the senior Russian diplomat who speaks for Moscow in former Yugoslavia, arrived in Brussels yesterday to thrash out the content of a broad Russian-Nato agreement that will be sealed at the same time as Mr Kozhrev signs up to PFP.

Mr Churkin and Nato diplomats will be haggling about both the content of the accord, and its presentation.

Nato has tried to play down the extent to which Russia is being treated differently from the 20 countries, mostly ex-communist, which have already signed up to PFP.

Mindful of the existing partners' sense of entitlement, the alliance has vowed not to conclude with Moscow any legally binding instruments, treaties or protocols over and above the standard entry form for Nato.

Nato wants any co-operation over and above PFP to be agreed on as informally as possible. In the much-quoted words of a British diplomat, "PFP must be the main dish, though there can be a nourishing side-dish."

However a binding protocol on the broader Russia-Nato link - which is expected to include a dialogue on nuclear and non-proliferation issues -

the Russian draft reads in part: "The paramount aim of the partnership would be... co-operation over settling crises, averting conflict, conducting peace support operations, and forming an effective system of security and stability in Europe that takes into account the leading role of the CSCE..."

Other aims would include: "Co-operation in the prevention of the proliferation of weapons of mass destruction; the prevention of possible new nuclear missile threats; the conversion of military industries to civilian purposes; co-ordination of plans to produce new

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FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75004 Paris, Cédex 01, Telephone: (01) 42 97 40 00, Fax: (01) 42 97 40 01, Telex: 245 113.

Editor: G. B. Baudouin, 10, Rue de la Paix, 75001 Paris, Telephone: (01) 42 97 40 00, Telex: 245 113.

RODENBERG: 10, Rue de la Paix, 75001 Paris, Telephone: (01) 42 97 40 00, Telex: 245 113.

FRANCE
Editor: D. Good, 168 Rue de Rivoli, F-75004 Paris, Cédex 01, Telephone: (01) 42 97 40 00, Telex: 245 113.

Editor: G. Baudouin, 10, Rue de la Paix, 75001 Paris, Telephone: (01) 42 97 40 00, Telex: 245 113.

RODENBERG: 10, Rue de la Paix, 75001 Paris, Telephone: (01) 42 97 40 00, Telex: 245 113.

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to chief
Balsam
it spreads

Italy may also be ready to help stop the slaughter

Paris offers 2,000 troops for Rwanda

By David Bunch in Paris

France told the Western European Union defence group yesterday it was ready to send troops to stop the ethnic slaughter in Rwanda but apart from a half promise from Italy there were no immediate pledges of support from other allies.

France told a meeting of ambassadors from the nine-nation WEU in Brussels it was ready to send a battalion and reinforce it up to a level of 2,000 troops if necessary, diplomats said. Italy said it would not exclude sending troops, but made no firm commitment.

Mr Willem van Eekelen, WEU Secretary-General, said after the meeting ambassadors would meet again on Tuesday to assess which countries were ready to make a contribution to the mission.

He said the WEU would coordinate any operation rather than run it directly and that there was agreement that any mission would have to be carried out with United Nations approval.

His comments follow pressure from France for African and European partners to intervene in Rwanda to stop continued killing there.

Graphic pictures and accounts of the massacre of thousands of people brought back by French television and visiting ministers, have helped spur France into action, as well as frustration that a month after a UN resolution authorising a new UN force, there is still no sign of it getting anywhere near Rwanda.

France has intervened in Rwanda before. It sent in 600 soldiers in 1990 to stop the Hutus and Tutsis killing each other and broker a power share.

Japan's money supply raises credit concerns

By William Dawkins in Tokyo

The decline in Japanese corporate profits has started to ease but money supply continues to be weak, fuelling fears of a squeeze on credit.

The Bank of Japan announced that the country's benchmark money supply - M2 plus certificates of deposit - grew 1.7 per cent in May from the same month last year, a slowdown on the 2.2 per cent rise shown in April.

The broad measure of liquidity, which also includes postal savings, state debt and investment trusts, rose 3.2 per cent, a slight easing on 3.3 per cent in April.

This is still well below the 5 per cent annual growth which economic analysts believe is needed to fund a recovery, and is likely to add to central bank concerns over credit creation.

Separately, a quarterly survey of nearly 20,000 companies

ising arrangement. This eventually bore fruit in last year's Arusha accords, an investment of French diplomatic and military effort that Paris evidently does not now want to see wasted.

To avoid charges of acting in a maverick or neo-colonial manner, France is keen to persuade other Europeans to join it in sending troops.

Prime Minister Edouard Balladur told the leaders of Benin and Mauritius that French intervention would be strictly humanitarian, designed to bring some calm and food to the country before handing over to planned UN reinforcements.

Mr Alain Juppé, the foreign minister, was meanwhile on visits to Ivory Coast and Senegal. Paris hopes that Senegal, which has already offered troops to the UN force, might be ready to send them earlier, under some sort of new UN resolution covering the French initiative.

France would like UN authority under Chapter 7 of its charter; this would allow intervention without the approval of all sides to a conflict that is required under Chapter 6 and has so far stymied the arrival of the new UN force.

General Paul Kagame, commander of the Rwanda Patriotic Front (RPF), reiterated yesterday his opposition to intervention by France, because it had trained the Hutu-dominated government forces.

The French government yesterday strongly denied French soldiers may have shot down President Julien Habyarimana's plane on April 6, the incident that triggered the violence.

Taiwanese hesitantly cast founder in a harsher light

The ruling party is slowly cutting links with Chiang era, writes Laura Tyson

Statues of Chiang Kai-shek, the generalissimo who fled China in 1949 and set up a nationalist government in Taiwan, are gradually being taken down or moved to less visible locations as the Chiang family influence wanes.

Over the last decade, Taiwan's ruling Kuomintang (KMT), once dominated by General Chiang and then by his son, Chiang Ching-kuo, has steered the island from a backwater military dictatorship into an industrial powerhouse and arguably the most democratic state in east Asia.

The party is moving to weaken the Chiang connections, but has stopped short of repudiating Gen Chiang whose often brutal rule ended at his death in 1975. However, the political landscape has changed markedly since, shortly before his death in January 1988, Chiang Ching-kuo set reforms in motion by lifting martial law and a ban on the formation of new parties.

Debate in the parliament has become so tempestuous that brawls are the norm, prompting Shanghai's Liberation Daily on Thursday to accuse Taiwanese lawmakers of making themselves an international laughing-stock and behaving like "monkeys".

In another sign of change, eight high-ranking generals

were impeached earlier this month by the Control Yuan, a government watchdog, for wasting taxpayers' money in arms deals from the mid-1980s. This public humiliation of the military would have been unthinkable in the Chiang era.

Nonetheless, the generalissimo's stern visage still looks down from the walls of government offices, banks, compa-

nies, and post offices. An estimated 30,000 statues remain in place across the island, in traffic circles, school grounds and other public places. But one statue of Chiang on horseback, a target of vandalism by opposition protesters, was spirited away this month at night under heavy police guard by the city government, ostensibly to ease a traffic bottleneck.

The KMT is now run by Taiwan-born civilians; the military-linked Chinese mainland faction having been decisively shovelled off the political stage in early 1983. But its present leadership remains reluctant to complete a reassessment of history which would inevitably tarnish the former first family's image.

This is not only because many senior government officials, including President Lee Teng-hui, owe their political advancement to the family, but because to reject Chiang would be to jettison his vision of

reunification with mainland China - tantamount to declaring Taiwan's independence, which in turn might provoke Beijing into the use of force.

In an unusually frank interview with a Japanese scholar published a few months ago, President Lee actually referred to the KMT as a "foreign regime" and termed Beijing's inclusion of Taiwan as a province of China a "strange dream". Earlier this week a Chinese news agency for the first time attacked President Lee by name, accusing him of trying to "split the motherland".

T here are limits to change. The KMT is trying to de-emphasise the connection between the present government and the past regime in what is part of the "indigenization" of the party," said Mr Lu Yeh, a professor at National Taiwan University.

"They've made several concessions to the demands of the opposition, but they're afraid of sparking a conservative backlash if they go too far."

In particular, the KMT refuses to release documents locked in military archives which might shed light on events surrounding a massacre of Taiwanese in the early months of 1947, known as the "2-28 incident" for the February day on which it is said to have begun.

An estimated 15,000-30,000 people were either killed or disappeared at the hands of KMT forces quashing Taiwanese rebels. Most of those killed, scholars say, were from Taiwan's intellectual class.

While the genesis of the 2-28 incident has yet to be fully clarified, many scholars believe the withheld documents would reveal what has long been suspected: Chiang himself was behind the crackdown which took place two years after Japan ceded rule of the island to the then Nanjing-based Nationalist Chinese government.

Opening the archives would also unmask the names of military personnel who carried out orders, possibly sparking a



Chiang Kai-shek: place in history re-evaluated

hurt for those still alive. "There are a lot of skeletons in the closet," said Prof Lu.

On Wednesday, relatives of victims in the 2-28 incident demonstrated before the KMT headquarters, calling the KMT a "bandit" party. Protesters demanded a formal government apology, compensation of NT\$10m (£240,000) per victim and a public holiday for February 28 to commemorate the tragedy.

The KMT early this week agreed to pay families up to NT\$15m for each person killed, although it declined to use the term "compensation", preferring the word "arrangement".

But it rejected demands to apologise, to declare a national holiday, and to force military commanders responsible to face trial.

There are some concessions to the truth, although the KMT is still reluctant to confront its past and that of Gen Chiang. In the last year, textbooks have inserted for the first time a brief mention of the 2-28 incident.

There will gradually be a more objective evaluation of Chiang Kai-shek's place in Taiwan's history," said Prof Lu. "On the one hand he was responsible for land reform here, and he maintained the economic stability Taiwan needed to develop. But he has also been criticised for rigidity in foreign policy and disregard for human rights, even brutal

TEXTILE CHIEF'S SENTENCE OVERTURNED

Taiwan's Supreme Court has overturned the conviction and 2½ year prison sentence of flamboyant textile tycoon Oung Tien-ming in connection with a \$22m (£14.6m) stock trading scandal which led to the resignation of a cabinet minister, writes Laura Tyson in Taipei.

Mr Oung was convicted in 1992 on breach of trust charges for selling, below market value, shares in an unlisted life insurance company to the daughter of the former minister of transport and communications.

"There is not enough evidence to prove that Oung sold the shares at lower prices than the actual value. The definition of

high and low is very subjective," a court spokesman said.

The decision prevents Mr Oung being stripped of the parliamentary seat he won in December 1992.

The Supreme Court upheld the acquittal of Mr Oung Yi-ming, a younger brother, for improperly enriching others in a land scandal. Sentencing was withheld in the case of another brother, Mr Oung You-ming, who was involved in the share scandal. He fled the island in 1981 and has not returned to face charges.

California faces new budget crisis

By George Graham
in Washington

California is once again facing a budget crisis, with an estimated \$6bn (£4bn) cash deficit for the fiscal year which will end on June 30 and a furious political row over whether Governor Pete Wilson's budget arithmetic for next year adds up.

Under the state constitution, the California legislature is supposed to pass a new budget by June 15, but this deadline has passed and Mr Gray Davis, the state controller, is warning he may once again have to start issuing IOUs to pay the state's bills.

Governor Wilson's \$57bn proposed budget for the 1994-95 fiscal year was thrown out of kilter when voters rejected three ballot proposals 10 days ago authorising nearly \$5bn of bond issues to pay for repairs to roads, bridges and schools damaged in January's Los Angeles earthquake.

California finance officials are also on edge as they wait for the Supreme Court's decision on the case brought by Barclays Bank of the UK and Colgate-Palmolive of the US against the unitary tax formula under which they have to pay assessed taxes on corporations.

The Supreme Court is expected to issue its ruling as early as next week. If it decides for Barclays, California would have to refund about \$400m. If it also decides for Colgate, another \$1.3bn would have to be refunded.

The budget negotiations are complicated by electoral politics. Mr Wilson, a Republican, is running for reelection in November. Mr Davis, a Democrat, is running in the same ballot for the lieutenant governor's office.

This threatens a repeat of the 63 day crisis in 1992 when California had to issue IOUs to pay its employees and suppliers.

Mr Davis said he could not legally issue more conventional short term debt unless he was reasonably convinced that the state was able to repay it. Governor Wilson's budget, he said did not provide a credible basis for such a compromise.

Besides the failure of the bond issue proposals, Mr Davis said Governor Wilson had also underestimated health expenditures by \$2.6bn.

An alternative budget proposal circulated by Democrats in the legislature would cut some prison and law enforcement spending and extend a temporary income tax surcharge on families with incomes above \$300,000.



South Koreans at a Seoul railway station watch a broadcast of the North Korean president Kim Il Sung's meeting with former US president Jimmy Carter yesterday

Mexico's Chiapas peace commissioner resigns

By Ted Bardacke
in Mexico City

Mr Manuel Camacho Solis, the Mexican government's peace commissioner in Chiapas, has resigned from his post and temporarily retired from politics, less than a week after Mayan Indian rebels in the southern Mexican state rejected a peace plan Mr Camacho had negotiated with them.

Mr Camacho had been directing Mexico's efforts to find a peaceful end to a peasant uprising that broke out on January 1 in the impoverished state near the Guatemalan border.

Mr Camacho launched a blistering attack on Mr Ernesto Zedillo, the candidate of his own ruling Institutional Revolutionary Party (PRI) saying recent criticism Mr Zedillo had

made of his peace efforts had hurt his ability to continue and damaged the peace process.

"At the very moment in which we had achieved... consolidated truce in Chiapas, a vote of censure has been expressed with regard to my work and every resource has been used to broadcast it," Mr Camacho said of Mr Zedillo's repeated statements that the peace negotiations had been a "failure."

The rebels want to spur a democratic transition in the country, while the government is increasingly treating the conflict as a local one. Mr Salinas has reiterated yesterday efforts to deal with the problem would now be handled by the Chiapas state government.

Widely believed to harbour presidential ambitions, Mr Camacho angrily resigned as mayor of Mexico City last

Coca-Cola returns to S Africa

By Mark Suzman
in Johannesburg

The Coca-Cola company yesterday announced plans to reopen its South African operations, eight years after it distanced from the country.

The group will establish a Southern African division office in Johannesburg later this year and purchase National Beverage Services, the South African company which now provides marketing, technical and other support to local Coca-Cola bottlers.

The new office will have responsibility for regional marketing in Namibia, Lesotho, Swaziland and Botswana.

The price of the proposed Nether purchase has not been disclosed and is subject to final approval from the South African Reserve Bank.

Coca-Cola products, currently sold through independent bottling franchises in South Africa, make up about 75 per cent of annual domestic carbonated soft drink sales of R3.5bn (£264m).

However, the market has recently become more crowded, and Coca-Cola's announcement comes only a week after arch-rival PepsiCo decided to return to South Africa in a joint venture with black business.

Coca-Cola has said it too will try to accelerate black empowerment through affirmative action, a management development programme, encouraging black suppliers and participating in educational schemes.

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DTI 'tried to block pensions white paper'

By Norma Cohen,
Investments Correspondent

A white paper on occupational pension reform is to be released next week following resolution of a dispute between two government departments on the potential cost to employers of the reforms.

Industry sources said the Department of Trade and Industry had intervened to block the release last week of the Department of Social Security's white paper, which pro-

poses legislation which requires pension schemes for the first time ever meet minimum solvency standards.

The paper is expected to require that from April 1997, all schemes have enough assets to meet minimum solvency standards. Those that do not will have until April 2002 to add additional funds.

A DSS study of 500 company pension schemes found that 86 per cent would meet the proposed minimum solvency test. But the 14 per cent of

schemes which do not meet the proposed standards include a significant number of large pension funds.

The DTI became concerned over the costs to industry — the study showed that meeting the new solvency standards would cost industry between £100 and £200 because employers had not been putting enough cash into their schemes.

The DTI was also concerned that the effect of the minimum solvency standards would be to encourage pension schemes to sell equities and

buy UK gilts, hitting the stock markets.

The white paper follows recommendations from a government-appointed panel, the Pension Law Reform Committee, chaired by Professor Roy Goode. The Goode Committee had recommended that each scheme be required at all times to have "cash equivalents" — at least enough assets to provide each member with his or her full benefits earned retrospectively if the scheme were wound up immediately.

The industry objected, arguing that this would force schemes to dump equities for lower-yielding gilts and drive up the costs to employers of providing pensions. The Institute of Actuaries and the Faculty of Actuaries proposed a compromise which would allow schemes to take greater account of returns on equities when calculating "cash equivalents".

Sources said that the DTI had backed down after it became convinced that the Goode Committee

solvency standard had been watered down so far that any further weakening would in effect mean abandoning the measure.

Research for the DSS also suggests that the UK stock markets would be unaffected by changes in investment strategy as fund managers adapted to the new standard. The research suggests that fund managers were likely to reduce holdings of foreign equities and increase their purchases of UK government index-linked gilts.

Heseltine eager to keep DTI post

By David Owen

Mr Michael Heseltine insisted yesterday that he wanted to remain in his present post as trade and industry secretary and not succeed Sir Norman Fowler as Conservative party chairman.

"My interest is in being president of the board of trade — everybody knows that," Mr Heseltine said. "I think there have been too many changes in this department over the course of the last years and my interest is in staying where I am."

Mr Heseltine's reluctance to move is thought to stem partly from a desire not to tie his own fortunes too closely to those of Mr John Major, in effect scuppering his remaining hopes of becoming prime minister.

Speculation about Sir Norman's successor has mounted since Thursday when he announced his intention to step down at the time of the reshuffle.

Yesterday's suggestion that Mr Heseltine should succeed came from Mr Kenneth Baker,

a former chairman and cabinet minister.

"What is needed now is a wartime chairman," Mr Baker said. "He has to be a street fighter, he has to be combative and he has to be a drum major. The one who most fills that role certainly would be Michael Heseltine."

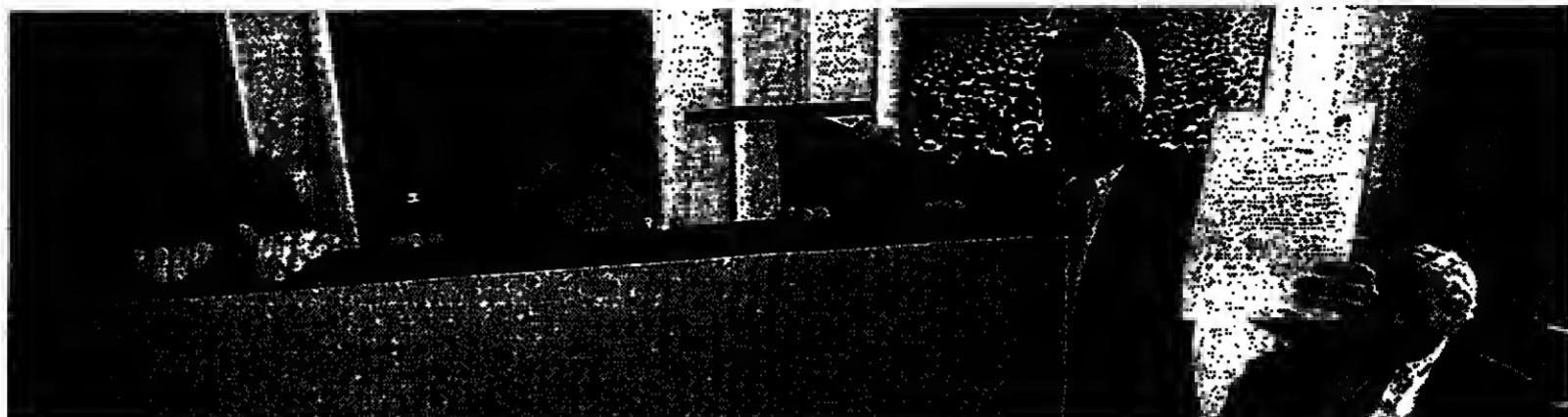
Mr David Hunt, employment secretary, is the favourite to succeed Sir Norman after a year in which he has won widespread plaudits for his campaigning style.

But many Tory backbenchers nursing inadequate majorities see Mr Heseltine as a better bet to minimise casualties in the next general election.

Mr John Major's strong performances in last week's European elections will probably have reinforced these views.

Other possible contenders include Mrs Virginia Bottomley, the health secretary, and Mr Tony Newton, leader of the Commons.

Sir Norman said yesterday that his successor would need "the qualities of a Sherman tank".



Union intelligence briefing: three sacked MI6 cleaners keep their heads down behind a screen as TGWU national secretary Jack Dromley explains their case

Cleaners, the spooks and the union mission

By Robert Taylor,
Labour Correspondent

Three cleaners working for the MI6 intelligence service were unmasked yesterday amid scenes worthy of an Ealing comedy at the Ernest Bevin room of Transport House, the London headquarters of the TGWU general union.

The cleaners, all women, were at a press conference organised to complain about their sacking by the Foreign Office for refusing to accept a pay cut. To ensure anonymity, the women were hidden behind screens. Mr Jack Dromley, the TGWU national officer, claimed that they would face instant dismissal under the Official Secrets Act if they were identified, and lose their redundancy payments. But during the press conference the screens fell down — narrowly missing a ceremonial mace from the 1888 dock strike — and the three women faced the glare of the media cameras.

Mr Dromley said 47 cleaners had been forced to sign a "gagging order" promising not to speak to the press about their complaints. Yesterday the women did not hold back in attacking Mr Douglas Hurd, the foreign secretary, over the loss of their jobs.

Many of the women, who have been positively vetted, have worked for MI6 for 30 years. Their jobs were subjected to market-testing to see if they could be done more cheaply by contractors. Mr Hunt, in a letter to two Labour MPs, said the cleaners were found to have "rates of pay and allowances above the market rate".

Strand Cleaners has won the contract to clean the MI6 offices when the intelligence organisation moves this summer to a new building at Vauxhall Cross,

south London. The hourly rate for cleaners is to be cut from £4 to £2.50, with a reduction in holiday entitlement and sick pay.

One woman who worked for MI6 for 18 years said she stood to lose as much as £1,200 if she complained about her treatment and was identified. Another said the cleaners had been "victimised just to save money". All said they were patriotic, law-abiding women who had been unfairly treated.

The Foreign Office said that the government had acted within both UK and European law over the market-testing.

Beckett calls for return to picketing

By David Owen and Ivor Owen

LEADERSHIP CONTEST

Mrs Margaret Beckett yesterday sought to enhance her appeal to Labour traditionalists by calling for the return of secondary picketing as part of a root-and-branch reform of union law.

In a move which infuriated supporters of the other two Labour leadership candidates, Mrs Beckett broke with party policy, calling for laws allowing a "sensible, workable and fair" approach to picketing.

Coming less than 24 hours

after the left-led TGWU general union recommended her for the leadership, Mrs Beckett's move looked set to enliven the current contest, putting daylight between the candidates on a specific policy issue for the first time.

Mr Tony Blair, the favourite to succeed John Smith, this week rejected the notion that all union legislation passed by the Conservatives since 1979 should be scrapped, saying he did not think it would be "sensible".

Mrs Beckett's remarks were seized upon by leading Conservatives who claimed they showed Labour was in disarray about its union policy.

Sir Norman Fowler, the outgoing TUC chairman, said Mrs Beckett's decision to "let the cat out of the bag" had left Labour in "a total shambles".

He was supported by Mr Tim Sainsbury, industry minister, who told MPs that Mrs Beckett's backing for a return to secondary picketing suggested that a Labour government under her leadership would re-create the industrial problems

of the 1970s.

would be enjoyed anywhere else in Europe".

She said there "could well be a need just to sweep the board clear and start again, keeping those elements of existing legislation which people thought it was right to retain".

She added: "There are things many unions would want to see retained — some of the methods of balloting and so on — but sometimes when you are trying to replace legislation you can't do it bit by bit, you have to have a new act and it may well be that is the right path to follow."

Supporters of Mr Blair and Mr Prescott accused Mrs Beckett of pandering to her backers in the TGWU.

In a move more in keeping with the general trend among unions, the Unison public services union decided against recommending any of the candidates. It said it had agreed "strongly to encourage" all levy-paying members to exercise their own judgment.

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of the 1970s.

Prince of Wales set to pay income tax of £1m

By Vanessa Houlder,
Property Correspondent

The Prince of Wales is expected to pay about £1m in his first tax bill since he volunteered last year to pay income tax.

The prince will pay 40 per cent of the revenues of the Duchy of Cornwall, which totalled £4.06m in 1993, after deducting the costs of his official duties.

The details of his tax return have not been finalised, but the total is expected to be similar to the sum arrived at under the former system when he voluntarily surrendered 25 per cent of the duchy's total income.

The duchy's accounts, which were published yesterday, showed that net income for the

year had increased from £2.41m to £4.06m. The value of the duchy's assets increased from £76.2m to £97.7m.

Income from farmland and property was £9.1m, compared with operating costs of £5.5m. The high operating costs stemmed from the wide geographical spread of holdings and higher-than-average maintenance standards.

Another £1.06m of income came from stockmarket investments, offset by a £1.05m interest charge that stemmed from acquisitions of commercial property in the late 1980s.

The Duchy of Cornwall was created in 1337 by Edward III for the Black Prince to provide an income for the heir to the throne.

It comprises 130,000 acres of

Talks on rail dispute planned

Both sides in the rail signalling dispute are due to meet today for joint negotiations at the conciliation service Acas in an attempt to prevent a further 24-hour shutdown of the network on Wednesday. Robert

Robert

The RMT union said last night that it hoped to resolve the dispute over the weekend but added: "There is still a wide gulf between us."

The union wants an interim pay offer for the signalling staff before entering job restructuring talks with Railtrack.

Railtrack said it was willing to negotiate a self-financing package for the signalling staff in return for higher productivity but refuses to concede any "up-front" payment for past improvements in efficiency.

It said: "The process of discussion is now obviously back on the tracks and we hope the ball keeps rolling."

National Savings net receipts fall

National Savings' contribution to government funding fell again last month to £242m including £153m from accrued interest. This compares with £254m in April. Net receipts in May were £226m with gross sales of £358m being offset by repayments of £71m.

The highest-selling product was the Pensions Bonds at £248m, although £85m of this was transfers from income bonds. Premium bonds were the next best-selling product at £153m. The total amount invested in National Savings at the end of May was £94.4bn.

Six in Monklands by-election fight

Six candidates are to fight the Monklands East by-election on June 30, caused by the death of Labour leader John Smith, who had a majority of 15,712 over the Scottish National party in the 1992 general election.

They are: Helen Liddell, Labour; Kay Ulrich, SNP; Susan Bell, Conservative; Stephen Gallagher, Liberal Democrat; Duncan Paterson, Natural Law party; and Abi Bremer, Network Against the Criminal Justice Bill.

Seven accused of power meter 'fraud'

Seven men have been charged after an investigation into alleged large-scale gas and electricity thefts, Northumbria police said yesterday.

The investigation followed allegations of homes and small businesses in northern England and Scotland being supplied with equipment to interfere with gas and electricity meters. Police said the seven had been charged with conspiracy to defraud.

Boost for failed holiday company

The Civil Aviation Authority yesterday told administrators trying to sell Sunseeker Leisure, the collapsed holiday company, that it would take up any application for an Air Travel Operating Licence, which normally takes six months to obtain.

Huddersfield-based Sunseeker, which specialised in packages to the Mediterranean, collapsed a week ago.

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Results adverts 'incomplete'

Companies' disclosures challenged

By Andrew Jack

Quoted companies are exploiting regulatory loopholes to present their financial results in the best possible light, according to a report published yesterday by the Institute of Chartered Accountants in England and Wales.

Most advertisements placed in the financial press to record a company's performance do not comply with London Stock Exchange disclosure requirements, it found.

The details are contained in a survey by Mr Roger Hussey and Ms Sarah Woolfe, of the University of the West of England, published yesterday by the institute's research board.

Less than three-quarters of companies revealed their turn over and just over a third showed their tax charge in results advertisements placed in the Financial Times in 1992.

Publication of these and other dozen elements are required by stock exchange listing requirements if the results advertisement is the only way the data is passed on to shareholders.

There are no requirements as to which numbers are shown if the company separately sends out this full information in a report to all shareholders.

With the exception of the large privatised utilities, most companies do send out this separate report, so they are not breaking the law. But they are only presenting highly selective information which often shows their results in a favourable light.

"Results advertisements have to be read with extreme caution," said Mr Hussey, professor of financial services. "There are mostly advertising the company. Their information value is limited."

The authors highlight a wide degree of variation in the time

Nimbies winning battle for Berkshire

Builders are watching planning policy in a politically sensitive shire, says Andrew Taylor

The leafy county of Berkshire, home of Royal Ascot and Windsor Castle, this summer finds itself at the centre of yet another planning wrangle. The outcome may determine how government intends to respond to demands from housebuilders to be allowed to develop in politically sensitive shire country.

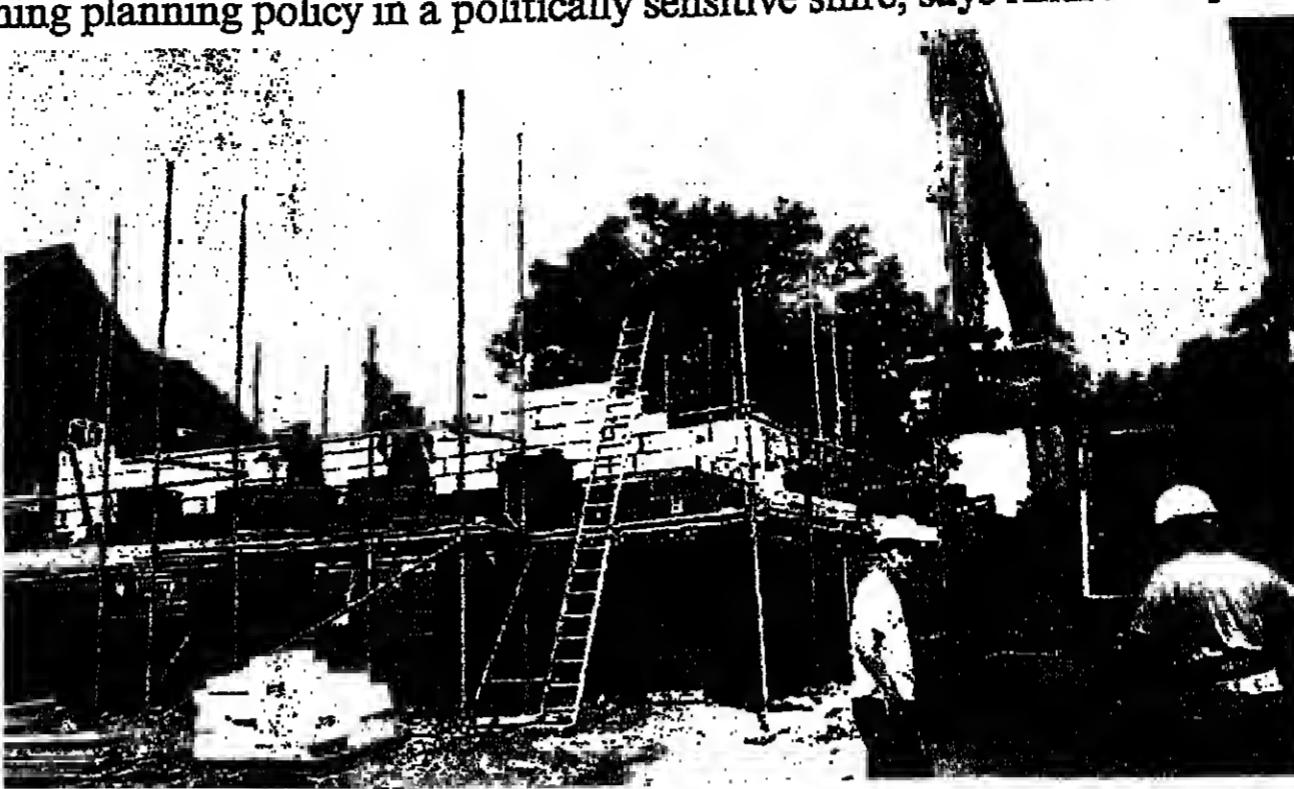
Prospects for builders seeking to expand output sharply in some of Britain's most valuable real estate markets do not appear bright judging by recent policy statements by the Department of the Environment.

The 1991 Planning and Compensation Act, supported by planning guidance notes from the department, allow county and district councils much greater authority to determine local needs and plans. The department's strategy was to ease pressure on diminishing countryside by encouraging greater use of urban land.

Importantly it reversed government policy of the 1970s and 1980s which had assumed a presumption in favour of housing development to meet the growing demand for homes in southern England.

The pro-development attitude reached its peak during the mid-1980s when the then Nicholas Ridley, as environment secretary, seized on the acronym Nimb (not-in-my-backyard) to attack local residents for trying to prevent newcomers from living and working in their area.

In July 1989 Mr Ridley approved the construction of a country town of 4,800 homes called Foxley Wood at Bramshill Forest, in north-east Hampshire. The proposal was



Half-built: New developments are surfacing as the housing market recovers - hence the importance of the Berkshire structure plan

made by Consortium Developments, a group of 10 of the country's largest house-builders. Three months later this decision was reversed by a new environment secretary, Mr Chris Patten, now Hong Kong's governor.

For many of the post war years, the main measure used by successive governments of the effectiveness of their housing policy had simply been to calculate the number of homes built annually.

Patten signalled a marked shift in this strategy, announcing

that the previous guidance to planners to presume in favour of housebuilding was being withdrawn. He added that it was up to local people through councils, rather than central government, "to decide how and where their [housing] requirements should be met". Within 18 months, Consortium Developments had been disbanded.

The strength of government commitment to this new strategy has never been fully tested. The desire of house-builders to acquire expensive

sites in controversial areas fell sharply during the recession. Only now are ambitious development plans beginning to surface as the housing market recovers. Hence the importance attached by builders to the final draft of the Berkshire structure plan.

Mr John Gunnier, current environment secretary, recently emphasised his commitment to encouraging development in towns and cities. In a policy statement on transport planning he said he wanted to "ensure the vitality of rural

Editor of Independent newspapers agrees to stand down

By Raymond Snoddy

Mr Andrew Whitlam Smith, the main founder of The Independent, has agreed to stand down as editor. Mr Matthew Symonds, one of the three founders and executive editor, is expected to leave the group.

Mr Whitlam Smith, who is editor-in-chief and chairman of Newspaper Publishing, the company which owns The Independent and the Independent on Sunday, will remain as chairman.

He has made his intentions clear to a number of directors and shareholders of the company. The decision to step down is his own and the timing of the announcement will depend on finding a successor. Informal soundings have already taken place, and the process is now likely to get under way in earnest. A very long list has already been drawn up and shareholders are being encouraged to add names to it.

The list includes a number of broadcasters with little experience of newspapers such as Mr Jeremy Paxman, the Newsnight presenter, and Mr Roger Mosey, editor of Radio 4's Today programme. Ms Linda Pagan, managing director of BBC Radio - who used to work for The Guardian - is also being mentioned.

The more orthodox names range from Mr Jonathan Fenby, a former Independent journalist who now edits The Observer, and Mr Ian Hargreaves, deputy editor of the Financial Times, to Mr Nigel Wade of The Daily Telegraph and Mr Ian Jack, editor of the Independent on Sunday.

Mr Tony O'Reilly, chairman of H.J. Heinz and of Independent Newspapers of Ireland - who controls 29.9 per cent of Newspaper Publishing - had a further meeting yesterday with Mr David Montgomery, chief executive of Mirror Group Newspapers, which is also a significant shareholder in The Independent.

Ex-FT chief, Page 19

CrossRail revival backed by 130 MPs

By Charles Batchelor, Transport Correspondent

Plans to revive a bill promoting the £2bn London CrossRail project were boosted yesterday when it was announced that more than 130 MPs have put their names to a motion backing the plan.

Mr David Lidington, MP for Aylesbury, said he expected to

table a motion early next week calling for the private bill committee to look again at the proposal to build an east-west underground rail link.

CrossRail, which has the backing of British Rail and London Underground, suffered a surprise rejection last month when the four-man committee of MPs turned it down.

The route did not include

links with the Channel tunnel rail link or the Heathrow Express.

"Replies are still coming in and I am optimistic we will have a lot more names by the beginning of next week," said Mr Lidington. "We have obtained unprecedented cross-party support."

In an unusual move, Conservative whips have given per-

mission for parliamentary pri-

ate secretaries, who as part of the government "payroll vote" normally do not get involved, to sign the motion. Its backers include seven Liberal Democrat MPs, with the remainder split equally among Conservatives and Labour. Mr Lidington said backing had come from across the country.

Senior figures supporting the

Labour urges tax boost for investment

By Ivor Owen, Parliamentary Correspondent

Mr Jim Cousins, a Labour trade and industry spokesman, suggested in the Commons yesterday that a Labour government should consider using the tax system to encourage companies to limit dividends and increase investment.

While making it clear that he was not advocating statutory control of dividends, he said the government should "steer and guide" through the right kind of changes in existing financial arrangements.

Mr Cousins is one of the few members of the Labour front bench to have nominated Mrs Margaret Beckett for the party leadership.

He criticised institutional and other shareholders for failing to devote enough attention to the development prospects of the companies in which they invested.

He complained that the banks had put more money into property development "in five years of the 1980s" than they had put in to manufacturing industry in 15 years.

Mr Cousins said this could not be corrected by legislation - but a different kind of relationship was needed between businesses, enterprises, banks and institutional shareholders.

Mr Tim Sainsbury, industry minister, denied that the government was complacent about the need to encourage allocation of more resources to research and development.

Firms add to receivership debate

By Andrew Jack

Two firms of chartered accountants yesterday added to the criticism of the process by which investigating accountants appointed by banks to examine ailing companies can then take on the role of receiver.

Kingston Smith, the 23rd largest firm, said there was a "clear conflict of interest" and that a negative report from an accountant that led to receivership made it impossible for the firm to remain objective.

The comments followed those on Thursday by Mr John Jackson, chairman of Brown & Jackson, the owner of the loss-

making Poundstretcher retail chain. Mr Jackson called the practice "objectionable" and called for an inquiry by the Bank of England and the accountancy bodies.

Mr Michael Snyder, Kingston Smith's senior partner, said: "We have had a number of clients to whom accountants were appointed and played it safe by recommending receivership. It has been a real problem."

He said there was a tendency for banks to instruct the largest firms, the investigators from which are most likely to be insolvency experts with the prospect of a future receivership in their minds."

He said there was a tension because investigating accountants were generally paid by directors of an ailing company, but reported to a bank.

However, Mr Derrick Woolf,

joint head of corporate support services at accountants Levy Gee, which specialises in insolvency work, said: "We would never get another job from a bank if we recommended receivership when it was not necessary."

Mr Allan Griffiths, vice president of the Society of Practitioners of Insolvency and a partner with Grant Thornton, said receivership was recommended in only a small proportion of investigations.

He added that it would prove very costly and more destructive to a business if its banks had to appoint as its receivers a separate firm which lacked knowledge of the company.

Talks on Severn crossing sackings

By Roland Adelburgh, Wales and West Correspondent

Talks between management and unions are due to take place today in an effort to resolve a dispute that has halted work on the £200m second Severn crossing between England and Wales.

More than 700 construction workers, who are seeking higher bonus payments, were dismissed on Thursday when they took part in a 24-hour strike after a ballot. Levington, the UK/France main contractor, said existing bonuses were at least compatible with those in other parts of the industry, and that workers had accepted terms and conditions jointly agreed by management and unions on the project.

Today's meeting will be held with Ucatt, the construction union, and the TGWU and GMB general unions. Mr Graham Read, of Levington, said: "We have no wish to shut down dialogue with union officials."

A picket line was mounted yesterday outside the site of the privately-financed bridge, which is due to open in spring 1996.

The unions are complaining of low basic pay for work which they say is often skilled, arduous and dangerous. GTWU, the UK/France main contractor, said yesterday that the men had been in breach of contract, but would be invited to reapply for their jobs on Monday under the existing terms and conditions.

KPMG 'not told of Walker links'

By John Mason, Law Courts Correspondent

An accountant asked by Brent Walker to review transactions criticised in the press never learnt of close links between the property and leisure group and the other companies involved in the Old Bailey jury heard yesterday.

Mr Philip Hardacre of KPMG Peat Marwick was called to help Brent Walker answer criticisms of sales of film rights by Brent Walker's film division to Universal Talent Management.

The prosecution in the trial of Mr George Walker, the former Brent Walker chairman and chief executive, alleges the transactions were part of a

fraud to boost Brent Walker's profits by £15m.

Mr Walker and Mr Wilfred Aquilina, a former Brent Walker finance director, both deny charges of theft, false accounting and conspiracy. Mr John Quested and Mr Donald Anderson, both former directors of the Brent Walker film division, are alleged to have been co-conspirators.

Giving evidence, Mr Hardacre said he discussed the transactions with the four men, but did not become aware that UTM's bank account was controlled by Mr Quested and Mr Anderson. Nor did he know that some of the money paid by UTM would be refunded by Brent Walker himself. The trial continues on Monday.

Committee investigation of CSA widens

By James Biltz and David Owen

But MPs on the committee are to undertake a "root-and-branch" examination of its structure. One committee member said: "The focus is moving away from the operation of the formula to the competence and efficiency of the CSA itself."

The committee, which began taking evidence this week, had intended to examine possible changes to the formula by which absent fathers make maintenance payments to their families.

But the widening of the social security committee's inquiry is another sign that pressure is mounting on ministers to introduce primary legislation reforming the CSA in the next session of parliament.

Most of the committee's recommendations from their first report into the CSA, published last year, were implemented by the government. Ministers privately acknowledge that the committee's next report, due in October, will be examined for its insights.

An official at the Department

of Social Security acknowledged this week that some reforms would need primary legislation.

For example, changes to the principle whereby "clean break" settlements between divorced couples cannot be offset against maintenance payments, would require a parliamentary bill.

One of the factors which has heightened the committee's concern is what one Tory described as an apparent "breakdown" in the CSA's system of enforcement.

Athens, 10th June 1994

BANK OF ATHENS

Devonport dockyard to make 850 redundant

By Bernard Gray

Devonport Management, which operates the Devonport Dockyard in Plymouth, said yesterday that 250 workers are to be made redundant.

Four hundred of the job losses are to reduce overheads in support operations. The remaining 450 jobs will go because the yard has insufficient work on surface ships to maintain the workforce.

Yesterday's announcement follows

the loss of 1,000 jobs yesterday at two other military sites in the south-west - RAF Chivenor in Devon and the Royal Navy Engineering College, also in Plymouth.

Mr Peter Whitehouse, Devonport's business development director, said the decision to allocate a large body of surface-ship refit work to Rosyth in Fife had left Devonport short of surface-ship work. He added that the company was dependent on winning the refits of HMS Birmingham and

HMS Cornwall next year to maintain the reduced workforce of 3,500.

Devonport said it could not rule out compulsory redundancies because it needed to maintain high-tech skills in refitting ships and nuclear submarines. "We are approaching a critical mass below which we will be unable to retain the capacity for surface refit work," added Mr Whitehouse.

Dr David Clark, shadow defence secretary, condemned the job losses

and called on the government to plan defence expenditure so that companies had time to adjust to the reduced work available.

"There is a lack of co-ordination which means that management cannot plan their businesses," he said. "The government has exacerbated a difficult situation by leaving defence cuts in the market."

He said there was worse to come

as the defence cost review is completed in July. "Some 25,000 jobs

will go when the Front Line First cuts are completed," he added.

Mr Jack Dromey of the TGWU

general union called on the government to support conversion of naval dockyards to civilian work. He added: "The markets are out there, the only question is whether it goes to Britain or our competitor yards in the US or the Pacific Rim."

Devonport insisted that it had tried to win new work, including the

12 British Steel Challenge yachts, and that 20 per cent of its work now comes from non-naval work. But it added that the markets were very competitive and slow to build up.

Mr Dromey said the dockyards were shedding labour while the Ministry of Defence was prepared to pick up the costs before they are privatised in 1996.

The MoD said that commercial

decisions on the workforce in the

dockyards was a matter for the man-

agements involved.

ITV quits race to televise lottery

By Raymond Snoddy

ITV yesterday withdrew from the contest to televise the National Lottery - blaming the independent Television Commission's interpretation of the rules.

The withdrawal may have involved an element of face-saving; Camelot, the consortium which won the right to operate the National Lottery, had made clear it would probably prefer to work with the BBC. It is bolding detailed and an agreement is expected by the end of this month.

ITV put together a comprehensive package to try to win the high-profile broadcast. It included the promise of promotion for the lottery throughout the ITV system, making top ITV stars and shows available for the draw, a two-year contract, a payment of more than £2m and the promise to share exclusivity with independent local radio or even BBC radio.

However, ITV could not meet one of Camelot's specifications. In addition to the main multi-million pound lottery draw on Saturday evenings, Camelot wants a mid-week show with winners of scratch-card prizes taking part in a quiz show with big winnings.

The commission ruled that ITV must retain editorial control - meaning that it must be able to choose the contestants.

Mr Andrew Quinn, ITV Network Centre chief executive, said yesterday: "ITV made a very attractive offer to Camelot, and we are naturally very disappointed that ITC regulations prevented us from proceeding further."

The timing of the ITV announcement, before an agreement with the BBC has been signed, could affect the terms of the deal.

ITV is still expected to cover the results of the lottery - which is due to be launched in November. As soon as the winning numbers are chosen they could be broadcast along the bottom of any ITV programme on the time.

Approval for Swans bidder delayed

By Chris Tigne

The French-owned company which wants to buy Swan Hunter has still not been approved by the Ministry of Defence as a suitable contractor, with only weeks to go before the MoD's award of a refit on which the Tyneside shipbuilder's survival hinges.

Mr Jonathan Aitken, defence procurement minister, said yesterday that negotiations between Constructions Mécaniques de Normandie and the MoD on the transfer of Swans' remaining frigate contract to CMN were continuing.

Swan Hunter went into receivership in May last year after failing to win an MoD order for a helicopter carrier. CMN is the only potential bidder for Swans as a going concern, but the deal is conditional on Swans winning the 18-month refit of the landing ship Sir Bedivere. It faces keen competition from other UK shipyards and naval dockyards. Receivers Price Waterhouse have said that if Swans does not win Bedivere, closure of the company and the piece-meal sale of its assets looks likely.

Mr Aitken's confirmation of continuing negotiations with CMN came in a Commons written answer to Mr Steve Byers, Labour MP for Wallasey.

Mr Byers said it was still unusual for a foreign company to be allowed to do MoD work. "A degree of caution is understandable, but they've had a long period to arrive at a conclusion and the delay is causing concern," he said.

Mr Fred Henderson, bid-team leader for CMN, said agreement on the transfer of the frigate contract, discussed since March, had been reached with MoD officials on June 1, but ministerial approval was still awaited.

He dismissed as "completely, absolutely and totally untrue" suggestions in a Commons question tabled by Mr Keith Hompson, Tory MP for Leeds North West, that Triscorp, a company controlled by CMN's majority shareholders, could have business links with the regime of Iraqi leader Saddam Hussein.

On Thursday, Mr Henderson and Mr Iskandar Safa, part of the Christian Lebanese Safa family which owns most of the shareholding of Triscorp and of CMN's parent company Sofia, met MPs to rebut any suggestion of Iraqi links.

Mr Safa said yesterday that he had acted as a marketing adviser to arms manufacturers in the Middle East, but not in Iraq. "There have never been links and there are no links," he said.

Goodwood switches to horsepower

A new motor racing festival plans to bring back a bygone elegance, reports John Griffiths

"Glorious Goodwood", the cliché title of one of the main events on the horse racing calendar, is acquiring a double meaning for Goodwood Estate, the family-run company which controls commercial activities on the Duke of Richmond and Gordon's 12,000 acres of West Sussex.

This weekend the Duke's heir Charles, Earl of March and Kinvara, is turning the estate over to motor sport, for which it was once as famous as Silverstone in Northamptonshire is now.

The "festival of speed" includes an auction of racing and classic cars with the international classic car market looking for a turnaround in prices since the start of the slump in 1989.

The festival also includes a hill-climb, with 130 cars racing against the clock near Goodwood House, intended to recreate the elegant social atmosphere of early post-war motorsport - "racing's equivalent of Ascot and Henley", according to Mr Robert Brooks, the Brooks auction house principal helping to organise it.

The estate is poised to

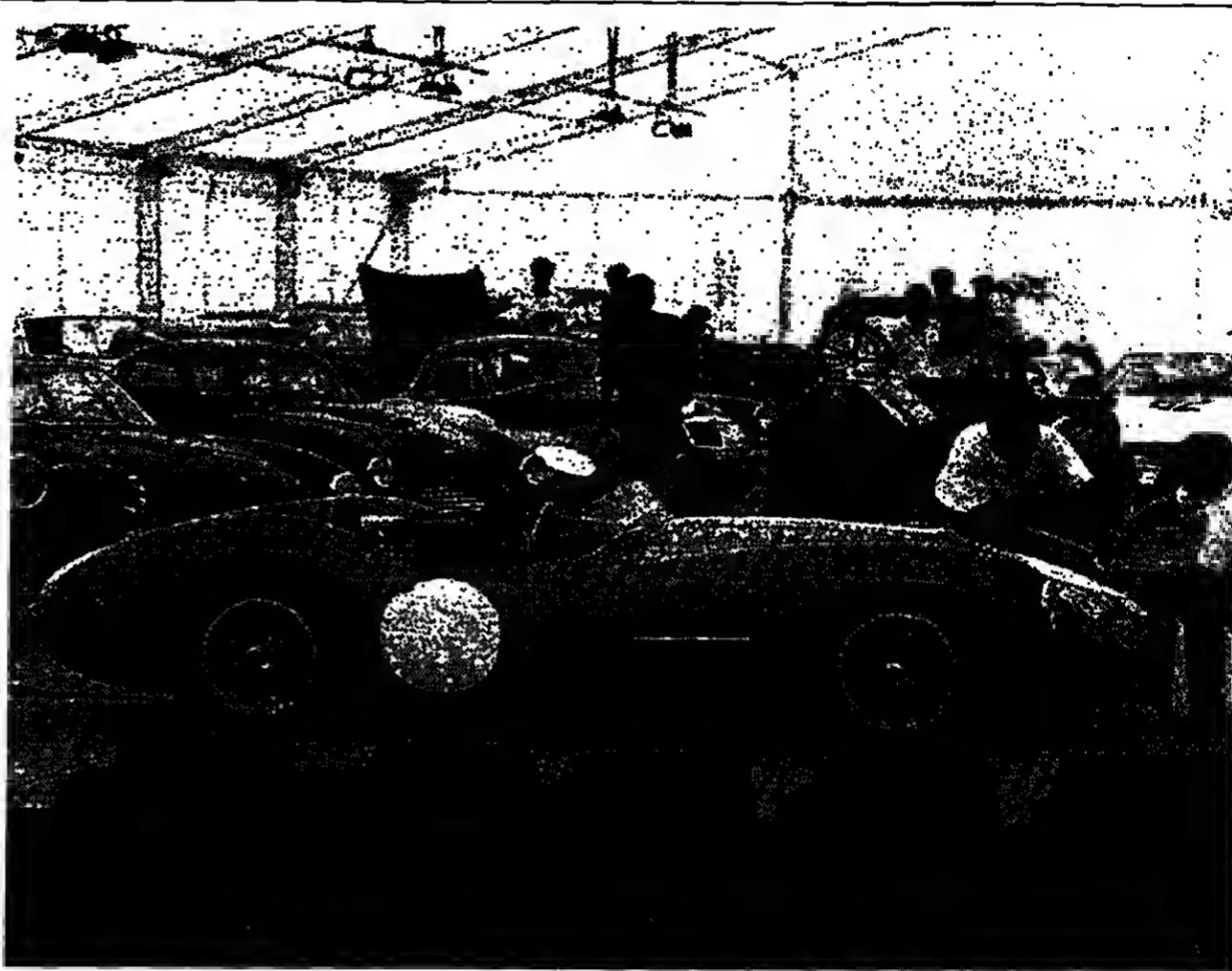
embark on a more ambitious project - to bring back competition to the nearby Goodwood motor racing circuit. The circuit, which also contains an airfield, is used for testing and high-speed driving courses.

The £5m project, which includes a new museum of motor racing, will create 300 jobs and provide an economic stimulus in this mainly rural corner of southern England.

The proposals have met with some protests, mainly from a private housing development near the circuit. In response, the number of proposed race days has been cut and Glasgow-based Acoustic Services is to install acoustic barriers around the circuit to prevent excess noise spilling into the countryside.

The plans have won provisional approval from Chichester's environmental health committee and the formal planning application was submitted two weeks ago.

Goodwood Aerodrome and Motor Circuit, an estate company subsidiary, has proposed three motor racing meetings a year, starting in 1996, featuring Aston Martins, Le Mans Jaguars, Ferraris and other his-



Stirling service: a top auction price is expected for the 1957 Aston Martin DBR2/1 two-seater car driven at Le Mans by Stirling Moss

toric motors mainly owned and driven by wealthy enthusiasts.

At least 25,000 people are expected for this weekend's festival, which is expected to involve the most valuable collection of classic and modern racing cars ever to compete in a single motorsport event. Several dozen of the 130 competing

cars have previously been sold for more than £1m.

A pointer to what many might be worth now is expected tonight when one of the world's most famous racing cars - the 1957 Aston Martin DBR2/1 driven at Le Mans by Stirling Moss - goes under the hammer.

It is expected that prices of the nearly 100 cars being auctioned will reflect a cautious strengthening since the spring.

Stirling Moss, whose own career was cut short in a 140mph crash at Goodwood, will be one of the celebrities driving in the event, as well as

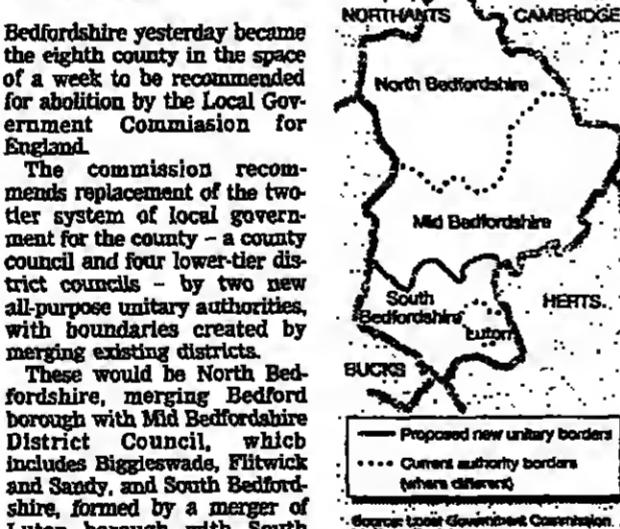
McLaren grand prix team owner Ron Dennis, and entertainer Rowan Atkinson.

The festival will mark the 100th anniversary of competitive motor sport.

Competing cars flown in from around the world range from a 1894 Peugeot Vis-a-Vis, to the latest, grand prix cars.

Bedfordshire may be split

By John Authers



ing to form a third unitary. The commission believes this would save £1m per year at most.

A final option would be to create a unitary authority for Luton alone and merge the other three districts.

In a departure from its practice in most of the recommendations of the past week, the commission, chaired by Sir John Banham, has not left continuation of the two-tier status quo as an option for local residents to consider.

A nine-week consultation period will now start, with freeport questionnaires sent to every household in the county, asking people to state their preference between the options.

This week, Berkshire, Buckinghamshire, Cambridgeshire, Cheshire, Cumbria, Lancashire and Oxfordshire county councils have all been recommended for abolition, after similar recommendations earlier in the year for Avon, Cleveland, Humberside, North Yorkshire, and Somerset.

Ulster agreement late, says Spring

By Tim Coone in Dublin

template" to which the parties would have to conform.

But he stressed that it would have to address modification of the Republic's territorial claim to Northern Ireland "if it is to have any chance of success" in bringing unionists to the negotiating table. "It is central to the problem," said Sir Patrick.

Mr Spring said: "There has to be a compromise on both sides, by both governments." Modification of the territorial claim would be in the context of a "balanced accommodation" which would also involve modifications to the Government of Ireland Act of 1920.

He referred specifically to Section 75 of the act, which states: "The supreme authority of the parliament of the United Kingdom shall remain unaffected and undiminished over all persons and things in (Northern) Ireland and every part thereof."

Stan Fein, the political wing of the IRA, has indicated that it intends to give its "definitive response" to the Downing Street declaration early next month - but is not now expected to recommend an end to the IRA campaign.

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Saturday June 18 1994

A cautionary double act

The bankers and merchants of the City of London witnessed another outbreak of prudence at the Lord Mayor's Mansion House dinner this week. The chancellor, Mr Kenneth Clarke, warned that there would be no tax cuts before government borrowing was under control, and no return to boom and bust. For his part the governor of the Bank of England, Mr Eddie George, declared that interest rates would have to rise in due course to moderate the pace of expansion. Yet the markets remain largely unconvinced by this prudential double act.

While short-dated gilt fell, the following day in response to the interest rate warning, long gilts, which might be expected to take cheer from declarations of fiscal and monetary rectitude, also went into retreat. Cautious rhetoric will not be enough, it seems, to make a big dent in the cost of servicing a £28bn borrowing requirement, equivalent to 5% per cent of GDP. Actions, not words, nor indeed a surfeit of bonds, are what investors want to see.

At first sight, threats of a rise in short-term rates might seem premature. As Mr George himself pointed out, though GDP is growing at the rate of 2% per cent, the economy is still operating below capacity. Retail prices on the official measure of underlying inflation have increased by only 2% per cent on the year, or 1% per cent if indirect tax increases are excluded. And the latest economic data offer further good news on the inflationary front.

The biggest recent worry has been the 4 per cent increase in earnings recorded in the year to March. This week's figures for the year to April showed a reassuringly slower increase of 3% per cent. Growth in retail sales, meantime, appears to have levelled off in May. Also striking, and possibly with a bearing on the retail sales picture, is the sluggish behaviour of the housing market.

House sales

By historic standards houses are now cheap in relation to earnings. Prices have unquestionably picked up over the past 12 months, as has the volume of transactions, and there have been quite sharp increases in prices in the parts of London where City professionals, whose bonuses helped inflate the March earnings figures, like to live. Yet a survey of 4,000 estate agents indicated this week that the volume of house sales across the country was down 12.4 per cent last month compared with May 1993. This is again attributable to two causes: the chancellor's tax increases and the deterrent effect on first-time buyers of higher fixed-rate mortgages.

Both suggestions make some sense. The amount people spend on housing is heavily dependent on what they can borrow. The maximum permitted borrowing is related to their ability to service the mortgage debt. Because post-tax earnings have been reduced since April, and mortgage tax relief has also been reduced, purchasing power in the housing market has taken an understandable knock. Midland Global Markets estimates that the cash loss from the chancellor's fiscal tightening for a household with an average mortgage is equivalent to a 1% per cent rise in mortgage rates.

Surprisingly buoyant

Meantime, the cost of fixed-rate mortgages offered by the larger building societies has gone from just under 7 per cent to well over 9 per cent. This has encouraged some potential buyers to delay their purchase. And indeed the whole housing market is still operating in slow motion when compared with previous economic cycles because the housing ladder has broken down. There are still well over a million people with negative equity in their homes. When this is combined with the impact of the recent increase in gilt prices on the cost of fixed-rate borrowing it is hardly surprising that the volume of transactions is slowing down. If anything, the surprise is that consumption in the UK, which is heavily related to activity in the housing market, has been so buoyant in recent months.

In effect the British economy is becoming a little more like its continental European counterparts, where long-term rates of interest have a greater impact on the level of economic activity and where housing markets are less prone to boom and bust cycles. It also appears that the gilt market is one jump ahead of the Bank of England and the Treasury in restraining the pace of expansion. That is not to say that Mr George will not need to raise short-term interest rates before long. The gilt market's scepticism about policy rests on the well-tested assumption that reduced taxes and lower mortgage rates will be elections for the Tories. If the prudential double act is ever to convince, Messrs George and Clarke will probably have to raise short rates in order to bring long rates down.

As in the US, the timing of the electoral cycle would point to a rise sooner rather than later. This indecisive reasoning will not be recorded in the published minutes of their conversations. But it is a safe bet that Mr George will soon be making the case for an early rise in order to bring the gilt market round.

Spawned in the polling booths of 12 nations, a new form of late 20th-century political hybrid has emerged this week: a many-headed Europe.

After the setbacks since 1991 to the Maastricht treaty goal of European union, most governments had accepted the likelihood of a multi-speed Europe. Already in immigration, foreign and defence policies, as well as monetary co-operation, different groupings in the European Union have been implementing integration at disparate paces.

The results of the European parliament elections on June 9 and June 12 indicate that post-cold-war Europe has become still more heterogeneous. Euro-diversity now stems from the power of the ballot box.

The variety of the poll results

helps explain why the plan for European unity agreed in 1991 has been looking increasingly unrealistic.

Europe's political map, only

three years ago painted in uniform integrationist hue, is now poly-

chrome.

"We have a multi-polar Europe,"

says Lord Dahrendorf, the German-born sociologist and former European Commissioner who is now Warden of St Antony's College, Oxford.

"In nearly all countries,

there is a tendency towards greater splintering of political preferences."

An article in 1991*, co-authored by Mr Karlheinz Reif, the head of the European Commission's survey research unit, held out "the prospect of an EC that is united, not only politically, but also economically [as] no idle dream." That Euro-optimism has now withered in the harsher economic climate and resurgence of inward-looking policies across the EU. Mr Reif says electorates will again grow supportive of integration as the economy recovers, "but the problem of attitudes on a united Europe" as such will not disappear.

Surprisingly, the Maastricht treaty is being questioned even by some of its firmest supporters. In a book published this week, Mr Jacques Delors, European Commission president, is quoted in an interview as calling the treaty over-ambitious and poorly drafted. "We shouldn't have made a treaty on political union, it was too soon."

In similar vein, Prof André Szász, an executive director of the Dutch central bank, who strongly backs the Maastricht aim of economic and monetary union (Emu), says:

"Rarely was a treaty concluded with such far-reaching implications and such lack of clarity as to what was intended and why."

Mr Szász says the prospective widening of the Union - to 15 or 16 countries next year, 20 or more by early next century - increases the necessity of "deepening" existing structures. "The alternatives are not either widening or deepening. It is both or neither." But far more clarity is needed. "The authorities should consider how long they can continue to argue that monetary union requires economic and even political union".

The one country that clearly favoured European integration on Sunday was Austria, where 67 per cent of voters approved membership of the EU next year. But Austria is aware of slackening momentum behind the Maastricht treaty.

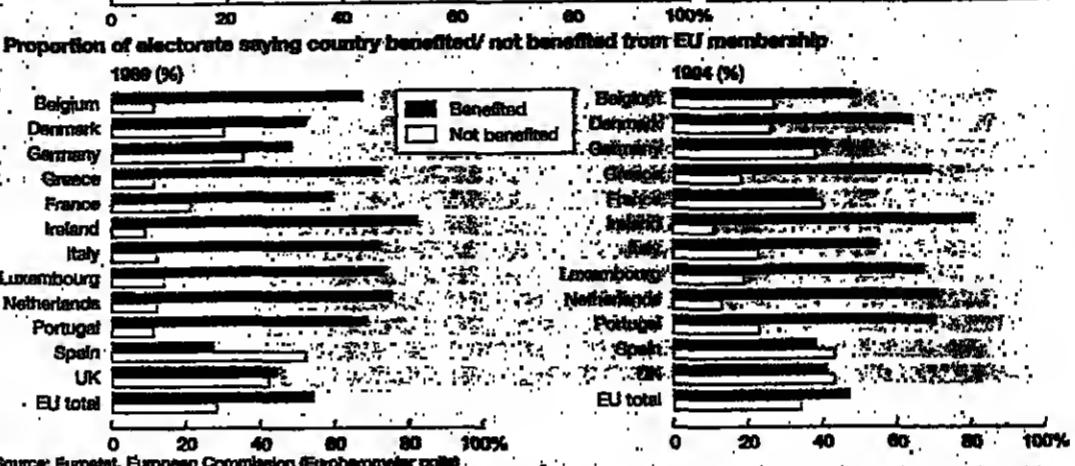
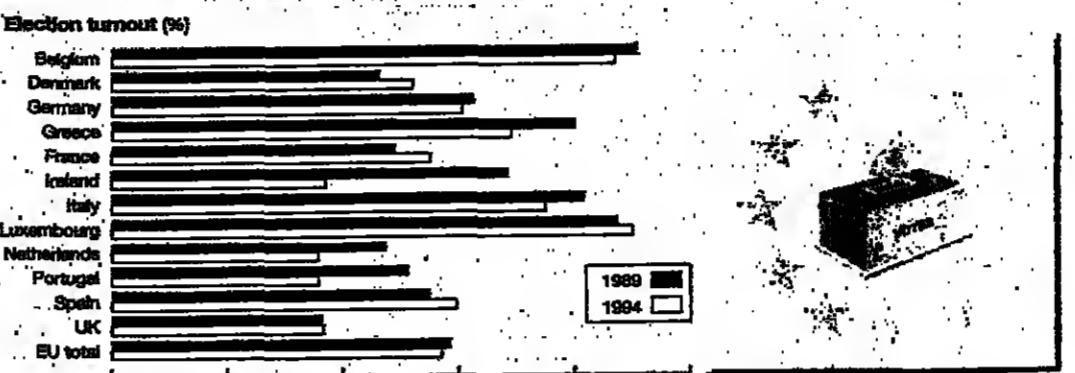
"On the question of institutional deepening, I remain rather sceptical," says Mr Manfred Scheich, Austria's ambassador to the EU and negotiator on EU accession. "Maastricht has exhausted, if not over-exhausted, the potential for qualitative steps forward in this field."

Austria will be part of the "hard

As political uncertainty becomes more widespread across Europe, Maastricht looks less relevant, says David Marsh

Partners dance to different tunes

How Euro-enthusiasm has cooled



core" of countries eventually participating in Emu, Mr Scheich predicts. But, recalling that German Chancellor Helmut Kohl had recently queried whether Emu was feasible by 1999, he added: "We all have doubts about the timetable laid down in Maastricht. In economic integration, we should concentrate on making the single market work."

The questioning of Maastricht is just one of Europe's uncertainties. Eurosceptic tendencies in western Europe mirror the breakdown of political structures and allegiances in eastern and central Europe during the past five years.

Prof Loukas Tsoukalis of Athens university says cynicism about European union and establishment politicians is part of a general malaise. "This time of pessimism is different from those in the past, it is linked to a crisis of governance in most European countries."

According to Mr Brian Gosschalk, managing director of the UK's Mori opinion research company, "There is a sense of disillusionment. Europe is suffering from a lack of positive symbols." His organisation has just carried out a poll across Europe, indicating only 30 per cent of the EU electorate supports a "United States of Europe", against 50 per cent who are opposed.

Since no member of the European parliament yields executive power, Euro-elections - with a built-in ten-

dency to amplify protest votes - provide only an imperfect gauge of the public's views on European integration. But the voting on June 9 and 12 gave some pointers to political trends.

• Voter turnout across the 12 member states was 57 per cent, the lowest of the four direct elections since 1979. Particularly large falls came in Ireland, Netherlands and Portugal, states traditionally enthusiastic about integration.

• Under Maastricht and the 1987 Single European Act, governments have given the parliament significant new powers to help correct Europe's "democratic deficit". But a large proportion of voters still regard it with lack of interest or sympathy. Additional powers for the parliament could thus, ironically, widen rather than narrow the gap between European decision-makers and the people.

• Public doubts about the role of

the parliament could increase if the

greater variety of parties repre-

sented there - especially on the right - undermines its cohesive-

ness. As a forstake, Mr Silvio Berlusconi, the Italian prime minister, apparently failed this week to per-

suade Mr Kohl to allow his victori-

ous Forza Italia movement to join

the Christian Democrat group in

Strasbourg.

• Overly anti-Maastricht parties

did well in France, Belgium, Greece

and Denmark. The conservative

Popular Party, which topped the

poll in Spain, is more lukewarm on

Emu than the governing Socialists.

In Italy, Mr Berlusconi emerged

with his position reinforced as

Italy's first Euroscopic prime min-

ister since the second world war.

• The elections brought contrast-

ing results in France and Germany.

Particularly large falls came in

Ireland, Netherlands and Portugal,

states traditionally enthusiastic

about integration.

• Under Maastricht and the 1987

Single European Act, governments

have given the parliament signifi-

cant new powers to help correct

Europe's "democratic deficit".

But a large proportion of voters

still regard it with lack of interest

or sympathy. Additional powers for

the parliament could thus, ironi-

cally, widen rather than narrow the

gap between European decision-

makers and the people.

But fragmentation is making its

presence felt in Germany, too. The

score of Mr Kohl's three coalition

parties, including the Free Demo-

crats, was 42.9 per cent, the lowest

government result in a national

German election since 1949.

Low scores for left- and rightwing

mainstream parties in France was

because both the RPR/UDF and the

Socialists "misunderstood the internal

contradictions of their European

politics", according to Mr Didier

Witkowski, a political analyst at

France's Sofres opinion research

company. By contrast, he says, Mr

Kohl benefited from the general German perception that the country is now the stronger partner in the relationship with Paris.

The French government wants to "bind" reunified Germany within a strengthened European framework. But a substantial part of the French electorate appears to doubt whether French eagerness to follow a German lead over Europe is in France's interests. Some of these doubts seem to be shared by Mr Edouard Balladur, the French prime minister. Mr Balladur, who said this week that the splitting of the French presence at Strasbourg would weaken France's voice, warned in 1990 it was an "illusion... that we can bind Germany irreversibly into western Europe".

Mr Kohl's success on Sunday underlines how he has become Europe's pivotal leader. But for all the good intentions being displayed by Bonn ahead of Germany's six-month EU presidency starting next month, any increase in German assertiveness is likely to brake rather than speed moves towards European unity.

Mr Bonn's official says Mr Kohl benefited particularly from the support of older people worried about a resurgence of nationalism in eastern Europe. He adds, however, that these are voters generally hostile to the Emu objective of replacing the D-Mark with a single currency.

Mr Günther Noennemacher, co-editor of the conservative *Frankfurter Allgemeine Zeitung*, says Mr Kohl succeeded in "defusing" monetary union as an election issue. This reflects last October's ruling by the Federal Constitutional court that Emu can come about only via strict fulfilment of the rigorous Maastricht "convergence criteria".

Mr Hans-Joachim Veen, head of research at the Christian Democrats' Konrad Adenauer Foundation in Bonn, says two-thirds of Germans oppose monetary union. Mr Kohl is seen as the "guarantor that, if the Ecu or common currency, comes one day, it will not be a radical change." Since Bonn is sticking to the slogan that "stability of the future European currency is more important than the timetable", Mr Veen accepts the date for introducing Emu may slip beyond 1999.

On the future, he says, about 25 per cent of Germans want Europe to deepen integration, 30 per cent want to widen it to the east, and 45 per cent favour the status quo. "We will have to muddle through."

An opinion poll by Germany's Allensbach organisation this month showed ambivalence in

The US is said to have more than a million millionaires. It may soon have about 13,000 more. An Alaskan jury has to decide whether Exxon, the biggest US company by sales, should pay maximum punitive damages of as much as \$15bn to those Alaskans who claim their lives or property were damaged by the worst-ever oil spill in US waters.

This week a federal court jury in Anchorage, Alaska, found that reckless conduct by Exxon and Mr Joseph Hazelwood, the captain of the Exxon Valdez, contributed to the ship running aground shortly after it left the state's main oil port of Valdez in March 1989.

Almost 11m gallons of crude oil spilled into Prince William Sound, in the five years since the accident more than \$3.5bn has seeped from Exxon's cash flow to cover the cost of the clean-up and to settle federal and state criminal charges.

Exxon, the world's biggest oil company, has also settled some civil claims voluntarily. But there are 13,000 or so potential plaintiffs who could benefit from this week's decision, including Alaskans, local landowners and native Americans.

Their lawyers will go before the same federal jury on Monday and ask the nine women and three men to accept their claim for \$1.5m in actual damages, before setting punitive damages at \$15bn. The jury is expected to make its decision this summer. If it accepts the plaintiffs' arguments, individual damages could average between \$1.1m-\$1.3m.

The case has sparked off intense speculation among oil industry observers keen to calculate the potential damage to Exxon. It has also highlighted the arbitrary way in which damages are awarded in

US cases of corporate negligence. IN addition, it could affect the tort law reform campaigns which are under way in many states in US, following pressure from companies which have been badly hit in product liability cases.

Mr Arthur Miller, law professor at Harvard Law School, notes that "corporate America is deathly afraid of punitive damages. It is the lifeblood of the plaintiff."

That point is not lost on Mr Brian O'Neill, lead attorney for the plaintiffs in the Exxon case. The \$15bn punitive damages claim is based on Exxon's earnings, he says. "Exxon has made in excess of \$15bn net out of the pipeline" which brings the oil from Alaska's North Slope to Valdez.

Exxon believes its past financial success should not be an issue in any further damages award. But the court earlier rejected the company's request that evidence about its financial position should not be presented to juries.

Mr John Harvey, vice-president of research at Wall Street brokers Donaldson, Lufkin and Jenrette, believes "Exxon's biggest liability is its ability to pay".

Uncertainty over the eventual level of pay-out has been exacerbated because the US Supreme Court has never set standards for punitive damage awards. Its guidance extends to two general areas. The first is that there must be some relationship between the punitive damages and the actual damages. But there is no guidance on whether that relationship should be

two times, three times, or a hundred times.

The Supreme Court says, secondly, that such awards should act as a deterrent, but should not be excessive. The vagueness of that guideline worries Mr Miller at Harvard. "What will deter but not cripple? They've been found reckless, but they're not Satanic... It's a wild card, and frankly, it's what really frightens companies."

Since this week's decision, Exxon's market capitalisation has fallen by about \$5bn. Industry observers say a decision to impose the maximum \$15bn penalty could cut its equity value.

One of the ironies of the Exxon Valdez case is that Exxon is widely viewed within the petroleum industry as perhaps the best-run and most technically competent oil company in the world.

The plaintiffs will try to dispel that view by arguing that the company consistently failed to deal with Captain Hazelwood's well-known drinking problem.

The people who knew about his problems didn't do anything. Dozens of managers - the Gulf coast fleet management structure, the west coast fleet management structure, the company's doctors - every

single part of this institution knew about this and didn't do anything," says Mr O'Neill.

He attributes Exxon's failure in part to "the lack of accountability you get in a big organisation: [a belief that] someone else will do it".

Exxon's public aloofness may help the plaintiffs in making such a case. The company's public relations performance at the time of the disaster was dismal. Mr Larry Rawl, the then chairman, declined to make a personal visit to the site, saying it would make no difference to the clean-up operation.

That led to operating treatment in the press to the extent that the Exxon Valdez incident is used by other oil companies as an example of how not to deal with the media or the public in the aftermath of oil spills.

In recent years Exxon has built up a strong department of investor relations, preferring to communicate directly to shareholders rather than through the press and industry analysts. Observers who know the company well say the isolation may be linked to a sense that it is being singled out for what may prove the harshest punishment yet meted out to a US company.

But it can at least take some comfort that the incident occurred outside two states where the penalties might have been far worse: California, the Exxon Valdez's destination on its abortive journey, has the country's strictest environmental laws; and Texas, Exxon's home base, where the juries consistently find for plaintiffs.



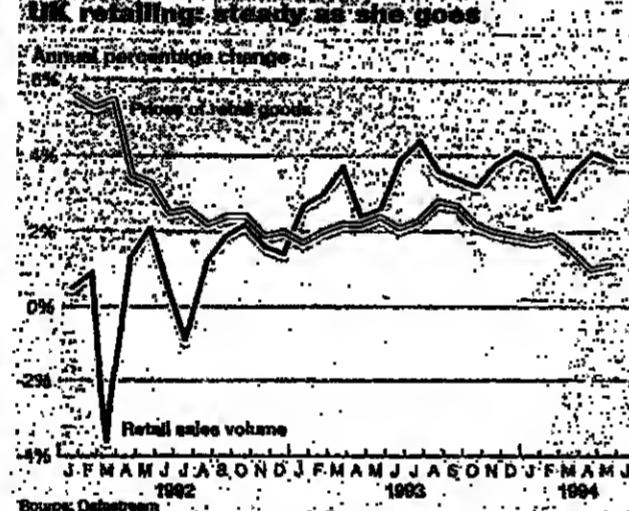
A fisherman holding a sea bird, a victim of the Exxon Valdez oil disaster

Drilling for damages

Robert Corzine and Richard Waters
on the aftermath of an oil spill

Goodies in a mixed bag

Gillian Tett and Neil Buckley
assess trends in UK retailing



Another reason for treating these numbers with caution is that monthly figures remain volatile, and include a kaleidoscope of variations according to regions, sectors and types of stores. A better conclusion to draw from the divergences in data may be that the tax rises are hitting consumer groups differently, while the retail sector is going through structural changes.

One striking trend in the CBI survey, evident through much of the recession, is that large store chains have performed better than smaller groups and independent stores. While 54 per cent of multiple outlets said sales increased in May compared with the previous year, only 28 per cent of single outlets agreed.

This may be because large chains can offer better value for money than small stores. As the recession made consumers more price-conscious, big stores were able to harness their buying power and the distribution systems they developed in the 1980s. That might explain some of the discrepancies between the CBI and CSO data, says Mr Ian Shepherdson, economist at Midland Global

Markets, who says the CBI survey gives greater weight to smaller - and now gloomier - businesses.

Different retail sectors are also experiencing mixed fortunes. Food retailing, for example, is competitive, partly due to structural factors. Superstore operators such as Sainsbury, Tesco and Argyl, owner of Safeway, have been forced to respond to the rapid growth of cut-price competitors such as Kwik Save, the UK's largest discount food retailer, with a similar customer profile to Shoprite, was one of the few other retailers to agree that the tax increases had hit its customers hard.

However, supermarkets' prices were in many cases lower than last year, resulting in an overall fall in the value of like-for-like sales.

The Do-It-Yourself sector, which like food retailing increased floorspace and pushed up margins in the late 1980s, continues to struggle, owing partly to the uncertainty in the housing market.

Clothing, however, is per-

forming better. Marks and Spencer, Next and Storehouse all recently announced healthy increases in sales, and in the CBI survey 58 per cent of clothing retailers and 58 per cent of footwear and leather retailers said sales were up in May.

Not just sectors, but different regions are seeing different levels of performance.

Mr John Bowes, corporate marketing director for CWS, the largest co-operative retailer, which has both small shops and superstores across the UK, said Scotland and Northern Ireland were trading well, and south-east England was recovering. The north-east remained competitive, while trading was difficult in areas of high unemployment such as the Midlands.

There is also evidence to suggest that people on lower incomes suffered to a greater extent from the April tax increases. Shoprite, the Scottish discount food retailer, which targets the less well-off C2DE customers, recently announced profit figures well below expectations. Kwik Save, the UK's largest discount food retailer, with a similar customer profile to Shoprite, was one of the few other retailers to agree that the tax increases had hit its customers hard.

Nearly all retailers and economists agree that the 1990s recession, unlike that of the 1980s, has left consumers value-conscious, and likely to remain so when the good times return. "There is more money for discretionary spending, but it needs the right things, good products at good prices, to bring it out," said Mr Kevin Hawkins, corporate affairs director at W.H. Smith.

These pressures could explain why retailers remain gloomy in CBI surveys despite good volumes, says Mr Michael Saunders, UK economist at Salomon Brothers. Indeed Mr James May, director-general of the British Retail Consortium, which represents more than 90 per cent of retailers, argues that weak margins may yet force stores to push up prices.

But there is little sign of upward price pressure at the moment. And while many consumers may not make for happy shop-owners, they are good news for a government trying to keep recovery on course without overheating.

Goodies in a mixed bag

Rights and responsibility

George Graham on the rethinking of the black agenda in the US

We have locked arms and our circle will not be broken," proclaimed the Reverend Benjamin Chavis, executive director of the National Association for the Advancement of Colored People this week. He was speaking at the end of a three-day summit in Baltimore of more than 100 civil rights activists, church dignitaries, academics and businessmen, which had ended with pledges to follow a united black agenda.

Mr Chavis's ringing tones echoed the proudest years of the civil rights movement in the 1960s, but the gathering drew scepticism from many black commentators and politicians: this was a summit of leaders whose credentials have been called into question. Memories revived from three decades ago did not dispel the impression that the leaders were still fighting 1960s wars and are not equipped to tackle 1990s problems - such as economic disparities and urban violence, the causes of which are not only racial discrimination.

The prominent civil rights era activist, Mr Andrew Young, who was President Jimmy Carter's ambassador to the United Nations, once argued the role of the black leader is to lead whites more than blacks. "Black people are the victims of economic inequities in our society and, to change those, the people we really have to change are white," he said.

But while there is still much to be done to educate white Americans about continuing racism and discrimination, many African-Americans feel the time has come to look inward for help. "Let's stop beginning. Let's start doing for ourselves," commented one black urban activist.

That will require considerable change in many of the organisations represented at the Baltimore meeting, notably the NAACP itself.

The NAACP is the oldest US civil rights organisation but, even in the 1960s, it was to a great extent bypassed by more energetic movements such as Dr Martin Luther King's Southern Christian Leadership Conference. Its great achievements came mostly in influencing civil rights legislation, and litigation against discriminatory laws, at a time when it seemed that if legal segregation of blacks and whites could be banished, everything else would follow. "The world was simple then; our enemy was an easy target," says Professor Henry Louis Gates Jr, chairman of the department of Afro-American studies at Harvard University.

Today, with most legal obstructions to equality removed, the NAACP seems to many blacks a less relevant organisation, and its membership has halved to about 500,000 from its peak.



Louis Farrakhan: controversial figure

Mr Chavis, a 46-year-old firebrand who took over the NAACP leadership last year, has tried to make the organisation more relevant, particularly to younger blacks: for instance by organising meetings with inner-city gang leaders. Yet these steps have alienated some older NAACP members, not to mention corporate sponsors.

Other groups represented in Baltimore have also seen their influence decline.

Church ministers, though they still hold sway among many lower income groups, are not the dominating voices they were.

Black intellectuals want a less dogmatic approach by both black and white leaders than has been the case in past decades

and have lost much of their hold over better-educated, middle-class blacks.

Two groups were glaringly absent at the Baltimore summit. First, black politicians. Although black political influence is disproportionately small in relation to the US black population, the number of black elected officials continues to grow rapidly, climbing in the past decade by 45 per cent to more than 7,500, according to the Joint Center for Political and Economic Studies, a Washington think-tank. There are now 40 African-American members of Congress and increasing numbers of black mayors.

The second group poorly represented at this week's summit was the urban black young whose violence, low life expectancy and dismal economic prospects are among the most pressing problems facing the African-American community today.

In the past, the Reverend Jesse Jackson could legitimately claim to speak, at least sometimes, on behalf of this disaffected group, but his career peaked with his campaign for the US presidency in 1988.

One delegate at the Baltimore meeting who does reach today's angry black youths was Mr Louis Farrakhan, head of the Nation of Islam, a black nationalist movement whose anti-white rhetoric has made him, for whites, the most controversial figure in black America.

But even those blacks who denounce his hatred of whites acclaim the more positive side of Mr Farrakhan's message: that blacks must build their future for themselves and not wait for whites to give it them - an argument which has more in common with the "empowerment" agenda of right-wing Republicans.

It is partly because white groups continually call on black leaders to denounce Mr Farrakhan that his appeal has grown so much.

But the anger of Jewish groups and the discomfort of some black politicians at Mr Farrakhan's presence at the Baltimore summit diverted attention from other issues confronting African-American leaders: gaping economic disparities and inner-city violence. Professor Cornel West, professor of religion and director of Afro-American studies at Princeton University, also argues in his book, *Race Matters*, that a pervasive nihilism is "the most basic issue now facing black America".

The statistics are grim. Black unemployment is more than 12 per cent, nearly twice the national rate, according to the National Urban League, the civil rights group. A third of black Americans live below the official poverty line. Homicide remains the largest cause of death for black males aged 15-34. Suicide, once half as common among blacks as among whites, has climbed, for black men, to white rates.

There is a consensus among black intellectuals that to solve this morass of problems requires a less dogmatic approach by both black and white leaders than has been the case over the past few decades.

The white dominated government, and society, need to improve opportunities and remove inequalities but blacks need to take greater responsibility for their future.

The liberal notion that more government programmes can solve racial problems is simplistic - precisely because it focuses solely on the economic dimension. And the conservative idea that what is needed is a change in the moral behaviour of poor black urban dwellers highlights immoral actions while ignoring public responsibility for the immoral circumstances that haunt our fellow citizens.

Professor West also argues in his book, *Race Matters*, that a pervasive nihilism is "the most basic issue now facing black America".

Sir, You state in your leader "Councils and the Concorde fallacy" (June 14) that independence for Rutland could mean up to an extra £125 on each Rutland council tax bill. As you will know, this council in the event of a claim. Similarly, the disillusioned Allied Dunbar salesman should consider his own shortcomings rather than criticise the products of a group whose contracts are vastly superior to those peddled by most banks and building societies.

The hard-working, enthusiastic and caring life insurance sales person has nothing to be ashamed of. Life insurance sales people will continue to perform a valuable function until the majority of the population makes adequate provision for themselves and their families without the need for persuasion.

Malcolm A Rose,
Funding Partnership,
33 Gooders Avenue,
Radlett, Herts WD7 8AZ

Consumers should benefit more on electricity prices

From Mr K H Prior.

Sir, Michael Smith's well-informed article, "Don't shoot, I'm only the regulator" (June 15), pointed out the importance of Professor Stephen Littlechild's Distribution Price Review to electricity users. This is the opportunity to ensure a more equitable balance of financial benefits between shareholders and consumers. While there has been a marked improvement in the standard of service and supply reliability, non-investing consumers have enjoyed comparatively limited financial benefit.

The regional electricity companies have clung to the upper

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Life assurance: the wrongs and rights

From Mr Joel Joffe.

Sir, It is astonishing that life assurance offices should respond to Peter Marsh's investigative journalism ("When he dies my dear, all this will be yours", June 11/12) with cries of the press which is the subject of their incisive reportage, which has stirred the regulators into taking a measure of effective action to protect consumers against the activities of many life companies.

As a result, standards are beginning to improve but there is a very long way to go. Financial journalists can make a further contribution to speeding up the process by raising the question of accountability. Clearly it is the directors and management of life offices that should be held accountable for their companies' selling malpractices, rather than the individual sales people.

It is the life assurance industry itself which has, by its unprincipled disregard for the best interests of the public, earned its present appalling

reputation. An expression of deep regret and a promise of urgent reform would have been the more appropriate response.

The public has reason to be grateful to financial journalists for their incisive reportage, which has stirred the regulators into taking a measure of effective action to protect consumers against the activities of many life companies.

Joel Joffe,
Liddington Manor, The Street,
Liddington, Swindon SN4 0HD

From Mr Malcolm Rose.

Sir, I am rather disappointed that Peter Marsh's article lacked any semblance of balance. Most of us in this industry abhor malpractice and would like to see any practitioner found guilty of fraud or misrepresentation locked away for a very long time. Only then will the public enjoy a reasonable level of protection. It is a matter of some regret that the courts have failed to pass severe custodial sentences when given the opportunity.

You have chosen to highlight the sour comments of industry failures, but

COMPANY NEWS: UK

Greycoat £40m in the red and calls for £47m

By Simon Davies

Greycoat, the property developer rescued from the brink of collapse last November, has launched a 24m rights issue to purchase and refinance the remaining 50 per cent of 123/151 Buckingham Palace Road, London, which has been valued at £15m.

It is paying £18.2m for Sir Robert McAlpine Group's share of the 386,600 sq ft office and retail property.

Greycoat also announced a pre-tax loss of £40m (£19m) for the year to mid-March. However, the company returned to profitability in the second half with £3.5m pre-tax. Losses per share were 10.5p (22.5p).

Mr Richard Guignard, joint managing director, described the latest transaction as "a housekeeping exercise". A £125m loan attached to the property was due for repayment next January, giving Greycoat the choice between buying the remaining half, or selling the property. The loan will be replaced with a £23.5m facility from Hypo Bank, and the remaining £42.5m will be covered by the rights proceeds and internal resources.

Golden Vale shares drop 30% on warning

By Tim Coone in Dublin

Shares in Golden Vale, the Irish dairy group, closed 30 per cent down at 59p yesterday, after ploughing as low as 55p during the day, in reaction to its profits warning on Thursday evening, delivered after the market close.

The company said its pre-tax profits for 1994 would be about one third down on 1993's £12.9m because of falling prices for its products, tighter margins being forced on it by multiple retailers, unanticipated rationalisation costs, and a strengthening Irish currency.

These factors have not been "fully matched" yet by a reduction in prices paid to its farmer-suppliers for its milk supplies, directors said.

Dublin analysts do not anticipate similar profits revisions for the other Irish food companies.

The cash call will allow Greycoat to progress beyond mere survival, but the stock market reacted unenthusiastically to the deal. The shares fell 1.5p to 15.5p.

Some analysts expressed concern over the proximity to last November's restructuring by Mr Brian Myerson and Mr Julian Treger, the South African investors who enabled the company to avoid receivership.

Mr Treger said: "It is a one-off opportunity to consolidate the portfolio, as part of the ongoing restructuring of Greycoat."

The offer is on a 3-for-8 basis at 13p, a discount of 24 per cent to the previous closing price.

The issue is underwritten by NM Rothschild and Samuel Montagu.

The rights will dilute net asset value from 17.4p, as of March, to 15.5p, but it is sufficient to allow the rights price to encourage support for the issue.

Gearing will fall from 152 per cent to 137 per cent.

Greycoat will emerge with 100 per cent ownership of two significant properties, and an issue on a third.

See Lex

British Vita shares fall after statement

By David Wighton

Shares in British Vita slipped 16p to 25p yesterday after the foam and fibre group said that it was finding it hard to recover higher raw material costs from its customers in the summer months.

Some analysts reacted by trimming their forecasts although the company subsequently stressed that the statement was not meant as a profit warning.

Mr Jim Mercer, who heads the European rubber and plastics operations, said that the situation had not worsened since the annual results were announced in March. "It certainly has not deteriorated under warranty arrangements, is being satisfied by £5.6m cash and the issue of 333,333 shares."

British Vita said its profits forecast for the present year from £47.5m to £51m and from £55m to £62m for next year.

Shares in British Vita slipped 16p to 25p yesterday after the foam and fibre group said that it was finding it hard to recover higher raw material costs from its customers in the summer months.

The statement accompanied news of the acquisition for £9.3m of Jackdaw Polymers, a Lancashire-based group involved in the compounding of engineering plastics.

British Vita said the company, which has sales of more than £10m and has been consistently profitable, extended the scope of its existing compounding activities and complemented its engineering thermoplastic sheet business.

The consideration, £1.25m of which has been deferred under warranty arrangements, is being satisfied by £5.6m cash and the issue of 333,333 shares.

British Vita said its profits forecast for the present year from £47.5m to £51m and from £55m to £62m for next year.

Wainhomes beats float forecast with £6.2m

By Andrew Taylor, Construction Correspondent

Wainhomes, the Chester-based house-builder which came to the market in the spring, beat its flotation forecast with pre-tax profits of £6.2m, compared with £5.2m, during the 12 months to the end of March.

Turnover rose by 22 per cent to £26.4m (£56.8m). The pre-tax figure was struck

slightly during the 12 months, the company said.

The number of housing plots it controlled for development rose over the year by more than 700 to 3,102.

Mr Smith said: "The strong demand experienced at the beginning of 1994 has continued into the new financial year and consequently our cumulative sales to mid-June are 48 per cent ahead of the comparative period last year."

Wainhomes sold a record 965 homes last year, 22 per cent more than in 1992-93. Due to increased land costs and reduced selling prices, margins declined

slightly during the 12 months, the company said.

The number of housing plots it controlled for development rose over the year by more than 700 to 3,102.

Mr Smith said: "The strong demand experienced at the beginning of 1994 has continued into the new financial year and consequently our cumulative sales to mid-June are 48 per cent ahead of the comparative period last year."

Challenging the traditions

Richard Lapper looks at Benfield's new £50m reinsurance venture

The launch this week of Benfield Re, a new 500m London-based reinsurance company, might at first appear unexceptional. After all the company is only one of a number of new ventures in the international catastrophe reinsurance market over the last 18 months, with more than £2bn pumped into the market by international investors over the last 18 months.

Yet two factors make the new venture worthy of attention. Firstly, the backer of the project, Benfield Group, is one of London's most successful reinsurance brokers in recent years, with its 1993 full year pre-tax profits of some £30m amounting to nearly 75 per cent of its turnover.

Mr Matthew Harding, the group's ambitious 40 year old chairman, has already generated a personal fortune recently estimated at £15m, and last year started to diversify his interests by acquiring a significant minority stake in Chelsea Football Club.

Together with three of his co-directors, Mr Harding figures among the 500 most wealthy people in the UK, according to one recent survey.

Secondly, Royal Bank of Scotland, whose other investments in the insurance industry include Direct Line, the UK's most successful insurance company of recent years, is backing the project. Its venture capital arm, Royal Bank Development Capital, is one of three institutions providing £12.5m in new equity to Benfield for the new venture.

Benfield's achievements to date are in part due to the way it has challenged many traditional business practices in the London insurance market.

Mr Harding is fiercely criti-

cal of traditional ways of broking, for example. Many brokers physically carry contracts around the market, frequently queuing at underwriting "boxes" - the open plan offices where Lloyd's underwriters work - to obtain support for deals.

Benfield brokers do not go out with their binders and tramp through the streets on a wet Wednesday afternoon," insists Mr Harding. The group conducts the vast majority of its broking business either by telephone or in pre-arranged meetings and is usually the only broker involved in a reinsurance deal.

And following the contraction of the capital base supporting the London reinsurance market, Benfield was able to find alternative capacity elsewhere.

This was at least partially through its links with overseas companies, such as Fortress Re, the North Carolina-based agency which underwrites on behalf of three Japanese companies, and Frankona, a reinsurance subsidiary of Gerling, a leading German insurance company.

The group quickly became a leading force in the catastrophe market, increasing income from £2.4m in 1993 to £23.9m in 1992 and £41.3m in 1993.

Mr Harding introduced innovative elements into reinsurance deals, mainly designed to prevent the re-emergence of a kind of reinsurance "arbitrage", in which some underwriters were able to underwrite business but retain very little or no risk on their own accounts, and which was sometimes an important feature of "spiral" deals.

At the same time Mr Harding and his team transformed Benfield's organisation, by introducing "state of the art" technology and systems.

Because it had brokered relatively few contracts, Benfield avoided the heavy burden of processing thousands of small claims. The company's brokers do their own secretarial work, using personal computers and dedicated software.

Benfield's customers were generally less involved in "spiral" and most continued to trade through the market's difficulties.

For the moment its ambitions in this field remain relatively modest. With rates now beginning to soften as competition re-emerges, Benfield Re does not expect to use its capacity to underwrite up to £12.5m in annual premiums in its first year.

Initially at least the company will not "lead" the negotiation of reinsurance deals, instead working alongside a group of about a dozen senior underwriters.

But the group is ambitious. Mr John Goldman, managing director, said this week that it was looking for growth and would be able to increase its capital base very quickly if necessary.

Chemical Group, the south-west London and Surrey water sup-

Rugby makes \$93m US purchase

By Andrew Taylor, Construction Correspondent

Rugby, the cement group, has paid \$93m (£51.2m) to acquire the US building materials distribution business of Boral, the distribution and cigarette filters group.

To pay for the acquisition, Rugby is placing 45.5m shares with institutional investors at 125p each. The placing is being organised by Schroders.

Following the announcement the cement group's share price rose by 3p to 134p.

Rugby will sell the asset to a new owner, which will be formed by the group's chairman and managing director, Mr Peter Carr.

The group is buying a distribution business with 7 branches in north-eastern states; 10 branches in the mid-west and 8 in the west. Products supplied include doors, windows, roofing materials, ceiling and floor tiles, lumber and plywood.

It made an operating profit last year of £6.4m (£1.2m in 1992) on sales of £35.9m (£36.4m). The business reported net operating assets of £7.65m at the end of December.

Mr Carr said that the acquisition would complement Rugby's existing US operations involving 22 wholesale distribution branches in the eastern part of the country.

"Where overlap occurs its impact is generally limited by differences in the product range and customer base," said Mr Carr.

The deal would enhance Rugby's purchasing power, allow cross-fertilisation of product lines and increase the company's ability to service national and regional customers, he added.

The US was recovering from recession with a consensus forecast of 3.6 per cent economic growth this year.

The final purchase price will depend upon a revaluation of Boral Building Supply's net operating assets, subject to a ceiling of \$84m.

Cater Allen in £23m acquisition

By John Gapper and Norma Cohen

Cater Allen Holdings, the discount house and banking group, is raising £23.2m via a rights issue to finance expansion, including the £22m acquisition of the banking operations of Jupiter Tyndall, the asset management group.

The group also announced pre-tax profits of £17.1m (£18.2m) for the year to April 30. Profits for the discount house fell to £5.5m (£10.7m) because of last year's windfall.

Mr James Barclay, chairman and managing director, emphasised that "the dividend policy of steady but sustainable growth was still firmly in place" despite proposing an unchanged final dividend of 20p making a total of 28p (27p), payable from lower earnings

per share of 49p (56p).

The deal will increase Jupiter Tyndall's net assets by £2m and leave it with cash of £20m, with which Jupiter said it would "aggressively pursue growth in our investment management business" as well as increasing shareholders' funds.

It may acquire Queen Anne's Gate Asset Management, the fund management company responsible for investing the £22m in assets of the privatised water companies.

The performance of Queen Anne's Gate, which has been on the market for several months, has been consistently above-average.

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Mr Barclay said Cater would use a further part of the proceeds of the issue to buy a "substantial" trust company in Jersey, with which it was in negotiations. It would also apply extra capital to its discount house and stock lending arms.

• **COMMENT**

Unchanged shares indicated a logical deal for both parties, with Jupiter obtaining enough for a bank which it gained as part of an earlier acquisition, and Cater broadening further from its discount house roots. After rejoining the capital market, Cater is paying a historic multiple of about 11.5. That is in line with similar deposit-takers. But the Jupiter banks are not growing fast, and will have to be galvanised by the new management to ensure that the price is worthwhile.

Gloom for Eurotunnel underwriters

By Simon Davies

The gloom continued for underwriters of the £250m Eurotunnel rights issue yesterday, as the share price dropped a further 15p to 55p, leaving it just 23p above its rights price.

Brokers reported a substantial increase in sales from both UK and French small shareholders, with some 2.7m Eurotunnel units traded, the highest level since the pricing was announced, and close to 5m of the nil-paid shares.

The offer closes at 3pm next Wednesday. Given the 16 per cent share price fall last week, and no signs of institutional support, there is an increasing possibility that underwriters will be called upon to cover a sizeable slice of the issue.

At the time the issue was announced, the talk was of artificial devaluation of the share price through short selling, and it bounced strongly in the afternoon.

But there has been no more good news to support the shares, and once more investors have focused on the long distance to profitability and dividends, and news reports of breakdowns in the freight service.

Monday will be the last day trading the nil-paid rights shares, and the outcome of the issue should become clearer.

Portsmouth & Sunderland up 20% but sees growth slowing

By Peggy Hollings

Portsmouth & Sunderland Newspapers, the publishing and retailing group, yesterday announced pre-tax profits of £1.75m for the year to December 31, up 20 per cent on sales up 11 per cent higher, on sales up by 7 per cent.

Mr Brins said P&S would face a difficult two years, following the decision by the Daily Mail not to renew its printing contract. The independent contract, which expires in 1996, was also under review. These two contracts represent two thirds of the £12m printing business.

The chief executive was confident growth in the publishing and retail business would offset the loss of the contracts.

Sales for the 53 weeks to April 2 rose to £12.2m, compared with £11.5m for the previous 52 weeks. Stripping out the extra week, pre-tax profits

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LVMH sees strong profits growth

By Alice Rawsthorn in Paris

LVMH, the French luxury goods group, was on course for strong profits growth in 1994 after benefiting from buoyant sales during the opening months of the year. Mr Bernard Arnault, chairman, confirmed yesterday.

The group expected net profits to rise by "more than 30 per cent" during the first half of 1994 from FF19.35m (\$164m) during the same period last year. Mr Arnault told the company's annual meeting. It is in the throes of acquisitions after reducing its debt by unravelling a cross shareholding agreement with Guinness, the UK brewer.

Mr Arnault forecast the group, which last year was affected by a downturn in the champagne market and by the impact of restructuring costs on the contribution from its

Guinness stake, would achieve a profits increase of "at least 30 per cent" in 1994 from FF13.57bn in 1993.

The improvement in the group's fortunes reflects a wider recovery across the international luxury goods industry.

The luxury market, which flourished during the 1980s, was one of the first casualties of the economic recession in the early 1990s. However, the industry has since last autumn benefited from increased demand in the US and in its emerging south-east Asian markets.

LVMH owns some of the world's most high-prestige products including Hennessy cognac and Louis Vuitton luggage.

The group recently reported a 28 per cent increase in turnover to FF16.02m in the first quarter of this year, fuelled by



Bernard Arnault: earnings rise

could be more than 30 per cent

healthy sales growth for cognac and luggage.

Mr Arnault yesterday confirmed that the upward sales

trend had continued during the second quarter. LVMH, he said, had registered a 22 per cent increase in sales in the five months to the end of May.

In the meantime the group is pressing ahead with its acquisition plans. Mr Arnault said he hoped to develop the group's interests outside the drinks sphere by expanding its other luxury activities, such as fashion and beauty products.

Since the unravelling of the Guinness agreement LVMH has taken control of Guerlain, the French fragrance house in which it held a minority stake.

It is understood to be in negotiations over the acquisition of Van Cleef & Arpels, the Paris-based jeweller. If the deal goes through Van Cleef could become LVMH's first foothold in the real jewellery market dominated by France's Cartier and Tiffany of the US.

Pharmacia offer will generate SKr9.4bn

By Christopher Brown-Humes in Stockholm

The Swedish government said yesterday its offer of a 47.4 per cent voting stake in Pharmacia, one of the world's top 20 pharmaceutical groups, had been heavily oversubscribed and would raise a total of SKr9.4bn (\$1.2bn).

It is expected to meet its target of selling a maximum of 82.2m shares after giving underwriters the chance to allocate an additional 10.2m shares to institutions.

Institutions will pay SKr120 per share, and the Swedish public SKr110 per share.

The institutional price is SKr1 lower than Pharmacia's closing price on Thursday but SKr6 lower than the average price during the subscription period.

A total of 47.5m shares will be allocated to Swedish retail investors, and 34.7m to institutions. Non-Swedish institutions will take 70 per cent of the institutional tranche, increasing foreign ownership in the group to 11.5 per cent from 2 per cent.

Mr Per Westerberg, Swedish industry minister, said the privatisation had been a success in spite of bond and equity market turbulence during the subscription period. He added that the institutional offer had been 2.5 times oversubscribed and the public offer 1.8 times.

The state retains 10.1 per cent of Pharmacia's votes, making it the second largest shareholder after Volvo, the vehicle group, with 28 per cent. Volvo wants to sell its stake but has agreed not to do so before 1996.

Pharmacia was the biggest single sale in a privatisation programme which has raised SKr23bn since it was unveiled in 1991.

The government has promised more privatisations if it wins the September general election, including Nordbanken, Telia, the telecommunications group, and Vattenfall, the power group.

The Social Democrats, who are favoured to win the election, have ruled out sales of Telia or Vattenfall.

Unisys held back by slow mainframe sales in Europe

By Louise Kehoe in San Francisco

Unisys, the US computer company, has warned that slow European sales of its mainframe computers will result in lower-than-expected second-quarter earnings.

Its share price dropped sharply to \$9 from \$10.60 when it released its statement just before the market closed on Thursday. Yesterday, in early trade, the stock hovered around \$9.

The group, which has been making a strong recovery after several years of heavy losses, blamed the setback on both operational and economic weaknesses in Europe. European revenues represented 25 per cent of Unisys' total 1993 revenues of \$7.7bn.

Sales of large computer systems in Europe continued

to decline, particularly in France, Germany and Italy, Unisys said.

Although the company has seen stronger demand among its European customers for desktop computers, these products carry a lower profit margin.

"The net result of this situation is lower sales margins and profits," said Mr James Unruh, chairman and chief executive. In March, Unisys appointed Mr Malcolm Coster, a former Coopers & Lybrand consultant, to head its European operations.

Mr Unruh said the new executive was "taking steps to focus the business on growth opportunities and improve programme execution". Unisys aims in particular to expand its services and systems integration businesses.

"While European orders in the second quarter may be up, year over year, and the rate of revenue decline is slowing, a meaningful business recovery is not yet under way. We will not plan on a positive turn in our European business until the fourth quarter of the earliest, which is later than we expected at the beginning of the year," said Mr Unruh.

Unisys said revenues from its services and systems integration grew strongly in the first quarter, in Europe and elsewhere, and the trend was expected to continue.

However, the company noted that in the services business revenues were spread over the period of long-term contracts.

Sales in the US and other international markets continued to grow and were expected to exceed last year's second-quarter and first-half figures, it added.

Metallgesellschaft raises DM1.2bn in sale

By David Waller in Frankfurt

Metallgesellschaft, the heavily-indebted German mining, metals and industrial group, has raised DM1.2bn (\$706m) from the sale of its near-80 per cent stake in Buderus, an engineering and building supplies subsidiary once regarded as a jewel in the Frankfurt-based conglomerate's crown.

The sale, handled by Deutsche Bank and Dresdner Bank, was conducted through an international placing of 2.03m Buderus shares at DM600 each.

Deutsche Bank, the biggest creditor to Metallgesellschaft, said the placing had been oversubscribed in spite of poor market conditions. Applications for shares had to be scaled down.

The proceeds, less commission for the two big banks, will initially flow to Metallgesellschaft, although it is highly likely the money will find its way back to banks which are owed a total of about DM6bn.

Deutsche and Dresdner banks, both big shareholders in Metallgesellschaft, said it would offset fresh provisions arising from

the involvement of MG Corp, Metallgesellschaft's New York-based trading subsidiary, with Castle Energy, a north American oil-refining company in which MG Corp has a large minority stake.

The group came to the brink of bankruptcy in January after racking up DM2.3bn losses in US oil derivatives trading.

Metallgesellschaft said it would realise an extraordinary profit on the Buderus sale.

It did not quantify the gain but bankers close to Metallgesellschaft said it would offset fresh provisions arising from

the involvement of MG Corp, Metallgesellschaft's New York-based trading subsidiary, with Castle Energy, a north American oil-refining company in which MG Corp has a large minority stake.

Deutsche Bank yesterday denied rumours that Mr Rolf Breuer, a board member who is also chairman of the German Stock Exchange, would be resigning as head of the bank's securities trading activities.

In spite of the denial, shares in Deutsche Bank dropped DM10.50 to close at DM72.10.

Ruhrkohle considers Venezuelan coal venture

By Michael Lindemann in Essen

Ruhrkohle, Germany's largest coal producer, said yesterday it was considering taking a stake in a Venezuelan coal mining venture to increase its coal imports.

The company will take 25 per cent in a four-way venture with Shell and two other companies to produce 4m tonnes annually. An entry price is still being discussed.

However, the group said improved results in the power generating and trading divi-

sions could not prevent a 34 per cent decline in profits to DM48m (\$28.8m), from DM65m the year before.

Turnover fell 5 per cent to DM22.41bn, in spite of slightly improved sales in the non-coal divisions.

Mr Heinz Horn, chief executive, said the Essen-based company hoped to break even this year, helped by a better steel market where increased demand had helped to reduce its coke stockpiles.

Mr Horn said the Venezuelan venture was designed to broaden the company's supply

of cheaper, imported coal which is becoming increasingly attractive for Ruhrkohle's electricity generating clients, such as PreussenElektra, which have historically used German coal but are slowly turning to imports.

"We regard this as an extension of what we can offer our clients, especially our smaller clients," Mr Horn said.

Germany imports 20 per cent of the 50m tonnes of coal needed by power stations, but this will rise to about 30 per cent in coming years.

Overall, the group employs 11,150 people.

Ruhrkohle produced 15.5m tonnes of coal in the first five months of this year. This compares with 17.9m tonnes in the same period of the previous year.

Projected output for the whole of 1994 is 37.4m tonnes, down from 41.9m tonnes last year.

Ruhrkohle will shed more of its 50,000 coal miners in coming years as it moves towards a projected workforce of about 60,000 by the end of the decade.

Overall, the group employs 11,150 people.

Digital revises shake-up plan

By Louise Kehoe

Last month he said that about 20 per cent of the company's workforce, or about 20,000 jobs, had to be cut if the company was to become cost competitive in the computer industry.

His statement followed Digital's third-quarter results with heavier-than-expected losses that revealed weaknesses in management systems and a continuing decline in profit margins.

Mr Robert Palmer, president and chief executive, has told senior managers in a memo that "some work remains to be done, so it is premature to discuss our detailed plans and subsequent actions. We will make announcements when we are ready to do so."

Yesterday, Digital said that the scale of the downsizing reduction plan was unchanged. "This is a complex process and it will be conducted in an orderly fashion," the company said.

In his letter to senior managers, Mr Palmer said the board of directors "unanimously supports our direction and progress".

However, the delay in announcing detailed restructuring plans appears likely to increase concern both within the company and among investors about future cuts.

Perfini sues auditors for L650bn

By Robert Graham in Rome

It follows an earlier claim against Price Waterhouse lodged in April for damages of L1,000m for the negligent preparation of the Montedison group accounts.

Montedison is the principal subsidiary of Perfini.

Last November, Perfini shareholders voted to take legal action for damages against Price Waterhouse.

The claim relates to the alleged negligent role played by the auditors in presenting accounts from 1987 to 1992 that failed to give a true picture of Perfini's accounts.

However, the size of these two claims is bigger than anticipated and in the case of Montedison.

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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS
Bulls in the driving seat at the LME

Bullish speculators were active in nearly all London's leading commodity markets this week.

At the London Metal Exchange values were reached by aluminium (3-year), copper (21-month), and lead (20-month); the North Sea oil price spiked above \$17 a barrel for the first time since last September; and London Commodity Exchange robusta coffee futures briefly touched 74-year highs. One disappointment, however, was gold's relatively lacklustre response to deepening concern about the situation on the Korean peninsula.

LINE: WAREHOUSE STOCKS
(as of Thursday's close)
tonnesAluminium -7,900 to 2,054,226
Aluminium alloy -40 to 20,620
Copper -4,000 to 390,850
Lead -450 to 359,575
Nickel -3,400 to 1,000
Zinc -75 to 1,152,150
Tin -588 to 30,140

Copper's climb, which peaked yesterday morning when the three months delivery position touched \$2,454 a tonne, added \$61.50 to the \$500 rally that began in mid-April. It continued to be fuelled by US investment fund buying encouraged by the improving fundamentals for the metal.

Aluminium's fundamentals are also perceived to be improving. Although LME warehouse stock remain at a near-record level a sustained drawdown is widely expected to begin soon as a result of the voluntary production cuts agreed by leading producing countries at a meeting in Brussels in January. This trend is also likely to be helped by increased demand for the metal by car manufacturers and builders.

After being towed higher in copper's wake LME aluminium prices began to strengthen on their own account last week. And that performance was sustained as the market burst through successive resistance

areas this week. At yesterday's close three months metal reached \$1,470.50 a tonne, adding \$64.25 to last week's \$50 advance. A \$28 rise yesterday was encouraged by news of a strike call at Norway's Elken, which produces 20,000 tonnes a year at its two smelters.

Lead's strength of late has been attributed chiefly to anticipation of increased buying by car battery manufacturers in preparation for the northern hemisphere winter. A further boost was given on Thursday, however, when Metaleurop, a Preussag subsidiary, announced that it planned to halve primary supply for two months to help reverse the recent heavy build-up in stocks. That should take about 30,000 tonnes out of the market. The news contributed to a \$7.25 rise yesterday that left the three month LME price \$19.50 up on the week at \$59.75 a tonne.

The oil market had several bullish factors to feed off. The Organisation of Petroleum Exporting Countries decided at its Vienna meeting this week to keep its production ceiling unchanged and cancel the scheduled September meeting.

That bolstered confidence in the cartel's determination to keep output under control while it awaited an expected pick up in demand. Short term demand has been increased, meanwhile, by supply bottlenecks in the US. With the North Korean situation spicing the dish the August futures position at London's International Petroleum Exchange jumped to a peak of \$17.06 a barrel on Thursday before edging back.

Coffee futures were all over the place this week. The LCE's September position traded in a \$290 range before closing yesterday at \$2,335 a tonne, up \$187 on balance, but \$155 of the high. The market got off to a flying start, buoyed by a US Department of Agriculture forecast that 1994-95 world output would be down 4 per cent at 90.6m bags (60kg each). The buying that encouraged continued - though somewhat erratically - until the price peaked early on Thursday.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	Low
Gold per troy oz. *	\$368.50	+4.70	\$372.25	\$368.50	\$368.50
Silver per troy oz. *	365.50p	+4.00	393.00p	364.50p	353.50p
Aluminium 3-year (cash)	\$141.45	+0.05	\$141.50	\$141.45	\$131.60
Lead (cash) *	\$26.55	+0.25	\$26.50	\$26.55	\$24.25
Nickel (cash) *	\$944.50	+20.25	\$942.00	\$944.50	\$820.00
Zinc (cash) *	\$984.50	+16.00	\$982.00	\$984.50	\$910.00
Tin (cash) *	\$5590.00	+25.00	\$5590.00	\$5590.00	\$4730.00
Copper Futures Sep	\$1038	+41	\$1035	\$1038	\$925
Coffee Futures Sep	\$2324	+18	\$2320	\$2324	\$2175
Short Interest Sep	\$14.55	+0.05	\$14.50	\$14.55	\$14.25
Buyer Future Nov	\$100.25	+7.00	\$107.00	\$100.25	\$92.65
Wheat Future Sep	\$102.15	+2.15	\$114.50	\$102.15	\$97.00
Cotton Outlook A Index *	\$8.55p	+0.10	\$8.50p	\$8.55p	\$8.25p
Wool (34s Super) *	422p	+4	357p	428p	342p
Oil (Brent Blend) *	\$17.16p	+0.17	\$17.05p	\$17.16p	\$13.16p

Per tonne unless otherwise stated. *Pence/oz. & cents lb. & Aug

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINUM, 99.7 PURITY (\$ per tonne)

Open	3 mth
Close	1441.2
Previous	1415.2
High/low	1444 - 1444.5
AM Official	1444.5 - 1470.1
Kerb close	1478.92
Open Int.	288,745
Total daily turnover	75,543

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Open Int. 288,745

MARKETS REPORT

Dollar dives

The dollar crashed through its technical support level of DM1.6270 in late trading yesterday when an independent forecaster said it could drop to DM1.50 against the D-Mark by late 1995, writes Motoko Rich.

Within half an hour of the European markets closing, the dollar dropped nearly two pennies, bringing the day's fall almost three pennies in very light trading.

The US currency had attempted a rally earlier in the day. But concerns about Federal Reserve Board monetary policy and a jittery Treasury market put the market in a bearish mood.

The lira was hardest hit in Europe as the European bond markets were routed. The D-Mark benefited from a flight of investors to cash.

Markets had already built up a downward momentum against the dollar when the US currency extended its losses on

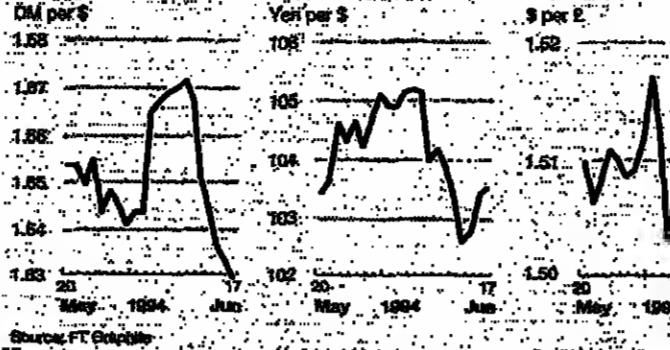
reports that an economist at the Conference Board, an independent think tank in New York, saw the potential for a ten per cent depreciation of the dollar against the D-Mark by late 1995, writes Motoko Rich.

Although the precipitous drop was unusual given a lack of hard news, Mr Adrian Cunningham, senior currency economist, said the markets were just following a normal interbank trading pattern.

"It was a conspiracy of circumstances combined with already bearish sentiment," he said. "The headline came out at 4.30 on a Friday afternoon in Europe on a day in which there had been very little trading so the market reacted dramatically."

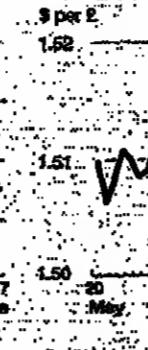
CURRENCIES AND MONEY

Dollar



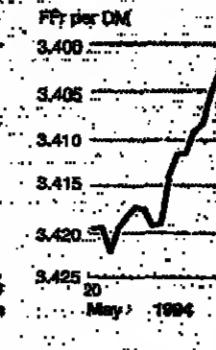
Source: FT Graphics

Sterling



Source: FT Graphics

French franc



Source: FT Graphics

MONEY MARKET FUNDS

Money Market Trust Funds

	Open	Int	Close	Int	Open	Int	Close	Int
Caats & Co					07-12-1000			
440 St Pancras, London WC1X 0DS								
Caats Committee Account for clients money								
15 London Wall, London EC2Y 5AS								
ECUs equivalent to £1,451,313								
Dave Heng Bank (London) PLC Preffered Acc					07-12-1016			
101 Queen Victoria Street, London EC4N 7EP								
£1,000,000-£2,000,000	0.025	0.025	0.025	0.025				
£2,000,001-£3,000,000	0.025	0.025	0.025	0.025				
£3,000,001-£5,000,000	0.025	0.025	0.025	0.025				
£5,000,001-£10,000,000	0.025	0.025	0.025	0.025				
£10,000,001-£20,000,000	0.025	0.025	0.025	0.025				
£20,000,001-£40,000,000	0.025	0.025	0.025	0.025				
£40,000,001-£80,000,000	0.025	0.025	0.025	0.025				
£80,000,001-£160,000,000	0.025	0.025	0.025	0.025				
£160,000,001-£320,000,000	0.025	0.025	0.025	0.025				
£320,000,001-£640,000,000	0.025	0.025	0.025	0.025				
£640,000,001-£1,280,000,000	0.025	0.025	0.025	0.025				
£1,280,000,001-£2,560,000,000	0.025	0.025	0.025	0.025				
£2,560,000,001-£5,120,000,000	0.025	0.025	0.025	0.025				
£5,120,000,001-£10,240,000,000	0.025	0.025	0.025	0.025				
£10,240,000,001-£20,480,000,000	0.025	0.025	0.025	0.025				
£20,480,000,001-£40,960,000,000	0.025	0.025	0.025	0.025				
£40,960,000,001-£81,920,000,000	0.025	0.025	0.025	0.025				
£81,920,000,001-£163,840,000,000	0.025	0.025	0.025	0.025				
£163,840,000,001-£327,680,000,000	0.025	0.025	0.025	0.025				
£327,680,000,001-£655,360,000,000	0.025	0.025	0.025	0.025				
£655,360,000,001-£1,310,720,000,000	0.025	0.025	0.025	0.025				
£1,310,720,000,001-£2,621,440,000,000	0.025	0.025	0.025	0.025				
£2,621,440,000,001-£5,242,880,000,000	0.025	0.025	0.025	0.025				
£5,242,880,000,001-£10,485,760,000,000	0.025	0.025	0.025	0.025				
£10,485,760,000,001-£20,971,520,000,000	0.025	0.025	0.025	0.025				
£20,971,520,000,001-£41,943,040,000,000	0.025	0.025	0.025	0.025				
£41,943,040,000,001-£83,886,080,000,000	0.025	0.025	0.025	0.025				
£83,886,080,000,001-£167,772,160,000,000	0.025	0.025	0.025	0.025				
£167,772,160,000,001-£335,544,320,000,000	0.025	0.025	0.025	0.025				
£335,544,320,000,001-£671,088,640,000,000	0.025	0.025	0.025	0.025				
£671,088,640,000,001-£1,342,176,960,000,000	0.025	0.025	0.025	0.025				
£1,342,176,960,000,001-£2,684,353,920,000,000	0.025	0.025	0.025	0.025				
£2,684,353,920,000,001-£5,368,707,840,000,000	0.025	0.025	0.025	0.025				
£5,368,707,840,000,001-£10,737,415,680,000,000	0.025	0.025	0.025	0.025				
£10,737,415,680,000,001-£21,474,831,360,000,000	0.025	0.025	0.025	0.025				
£21,474,831,360,000,001-£42,949,662,720,000,000	0.025	0.025	0.025	0.025				
£42,949,662,720,000,001-£85,899,324,440,000,000	0.025	0.025	0.025	0.025				
£85,899,324,440,000,001-£171,798,648,160,000,000	0.025	0.025	0.025	0.025				
£171,798,648,160,000,001-£343,596,960,000,000	0.025	0.025	0.025	0.025				
£343,596,960,000,001-£687,193,920,000,000	0.025	0.025	0.025	0.025				
£687,193,920,000,001-£1,374,387,880,000,000	0.025	0.025	0.025	0.025				
£1,374,387,880,000,001-£2,648,775,760,000,000	0.025	0.025	0.025	0.025				
£2,648,775,760,000,001-£5,297,551,520,000,000	0.025	0.025	0.025	0.025				
£5,297,551,520,000,001-£10,595,102,240,000,000	0.025	0.025	0.025	0.025				
£10,595,102,240,000,001-£21,190,264,000,000	0.025	0.025	0.025	0.025				
£21,190,264,000,001-£42,383,168,000,000	0.025	0.025	0.025	0.025				
£42,383,168,000,001-£84,766,336,000,000	0.025	0.025	0.025	0.025				
£84,766,336,000,001-£169,532,672,000,000	0.025	0.025	0.025	0.025				
£169,532,672,000,001-£339,065,344,000,000	0.025	0.025	0.025	0.025				
£339,065,344,000,001-£678,130,716,000,000	0.025	0.025	0.025	0.025				
£678,130,716,000,001-£1,356,264,088,000,000	0.025	0.025	0.025	0.025				
£1,356,264,088,000,001-£2,612,536,864,000,000	0.025	0.025	0.025	0.025				
£2,612,536,864,000,001-£5,225,073,728,000,000	0.025	0.025	0.025	0.025				
£5,225,073,728,000,001-£10,449,147,552,000,000	0.025	0.025	0.025	0.025				
£10,449,147,552,000,001-£20,898,294,000,000	0.025	0.025	0.025	0.025				
£20,898,294,000,001-£41,796,588,000,000	0.025	0.025	0.025	0.				

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* Policies are not registered. Policies of certain older funds
since limited space subject to periodic gains or loss on sales.
** Distribution loss of 10% based on a Portfolio premium/loss
plus a Single premium/loss. A Designated as a U.S.
Underwriter for Collective Investment in Transnational Securities
Act, U. Chaired prior to 1982. Not registered except against
the following: U.S. funds, U.S. funds prior to 1982, except against
Supplemental, * World Income, ** Income, ** Equity Income,
** World Income, ** Income, ** Equity Income, ** Equity Income.
Only available in charitable accounts. WU will submit short
annualized rates of 10% increase, not in dividend.
** Funds not SII recognized. The regulatory authorities
from Australia, Canada, France, Germany, Italy, Japan, Mexico, France
Supervision, Norway, Financial Control Council, Spain,
Switzerland, United, Luxembourg, Luxembourg.

WORLD STOCK MARKETS

AMERICA

Triple-witching expiry unnerves Dow

Wall Street

US shares prices were pushed lower yesterday morning by a powerful wave of trading related to the triple-witching expiration of futures and options, writes Frank McCarty in New York.

By 1pm, the Dow Jones Industrial Average was down 21.33 at 3,789.46, while the more broadly based Standard & Poor's 500 was off 2.11 at 469.82.

In the secondary markets, the American SE composite receded 1.55 to 480.13, and the Nasdaq slumped 4.85 to 730.12 amid fresh weakness in the technology sector.

Although there was little fundamental news to drive the market, activity was robust. Investors were busy unwinding their positions as quarterly options on individual stocks and market indices, and future

contracts on the indices, began to expire.

Some 250m shares were already exchanged on the NYSE by early afternoon. Trading was likely to accelerate in the final hours of the session, with the triple-witching activity expected to trip a battery of program-guided orders.

Unfortunately for investors, the overall tone of the market was negative, as bonds turned bearish again.

The price of the benchmark 30-year government security was down more than 1/4 point by midday, as traders reacted nervously to a third consecutive monthly rise in consumer confidence. The University of Michigan consumer sentiment index came in at 94.5, compared with 92.8 in the final May reading.

Investors were also disturbed by a report by the Conference

Board which said the dollar could lose 10 per cent of its value against the D-mark over the next 18 months.

Despite the sour mood in general, there were no strong sectoral trends dragging the market down.

The Dow components were broadly lower, led by cyclical issues. 3M was down 1/4 at \$51.1, DuPont lost \$1 to \$60 and International Paper slipped 8¢ at \$71.1.

Exxon, which shot down and then up during the week, levelled off at \$55.1 with a gain of \$1 on the morning. Chevron lost \$2 to \$43 after Smith Barney Shearson downgraded the issues.

Relative calm also returned to banking stocks after two days of heavy selling. Most issues were down marginally, however. Bank of New York eased 5¢ to \$30.4, while Shawmut National added 3¢ to

\$21.4. But First Interstate shed a further 51¢ to \$76.6, while Wells Fargo continued its losing ways, dropping 1/4 to \$154.4.

The spotlight yesterday turned to Quaker Oats. The stock jumped \$4, or more than 6 per cent, to \$75.4 on speculation that either Nestle or HJ Heinz was interested in acquiring the food group. Quaker declined to comment.

On the Nasdaq, technology issues came under renewed fire. Lotus Development was marked down 52¢ to \$51.4 in spite of the announcement that it was buying Softswitch, a communications software supplier. Analysts said the deal was an important strategic move.

Canada

Toronto stocks eased in thin, uneven trade, the TSE 300 com-

posite index losing 8.38 at 4,155.07 in 29.64m shares valued at C\$400.3m. Declines led advances by 308 to 288 with 279 unchanged.

Of Toronto's 14 sub-indices, five were stronger and eight weaker. Gains in gold and mining stocks failed to offset losses in communications and real estate.

The gold sub-index soared 1.84 percent as London gold climbed US\$3 to close at US\$388.30.

Brazil

Equities in São Paulo were up 5.9 per cent in local currency terms at midday, helped by active trading ahead of Monday's options settlement.

The Bovespa index had increased 1.764 to close the morning session at 22,123 in turnover of some Cr\$20.3b (US\$3m).

EUROPE

Weak bonds, derivatives closures hit bourses

After a morning recovery, a serious weakening in bond market sentiment hit bourses hard again in the afternoon, writes *Our Markets Staff*.

In some cases, the bourses' problems were exacerbated by added volatility on the closure of futures and options contracts.

FRANKFURT seemed to be negotiating its way through the DTB options minefield, the Dax index closing just 4.19 lower on the session at 2,050.72 and down 3.9 per cent on the week. But the closure process extended into the afternoon, when equities were hit by bond market weakness and a report of management changes at Deutsche Bank.

Deutsche Bank denied the report that a board member, Mr Rolf Breuer, was to be relieved of his responsibility as head of securities trading. But, said Mr Nigel Longley at Commerzbank, the market was already edgy following the arrest of the managing director of Procedo, the factoring company, and the revelation of derivatives trading on a massive scale at Balsam, Procedo's biggest customer.

Turnover soared on the DTB

closure, from DM6.7bn to DM25.6bn. In the post-bourse, Deutsche Bank fell to DM722.50 and down 1.0, while the Dax to 2,031.80. A further drop on Monday would threaten the closing loss of 2,020.23 for 1994.

PARIS drifted at the end of a week which saw the CAC-40 index slide more than 4 per cent, in spite of further good news that economic recovery was on course. The index eased 6.86 to 1,995.95.

The highlights of the session were Schneider and LVMH, both up against the trend after forecasting higher profits in 1994. Schneider rose FF10.10 to FF136.60 and LVMH FF5 to FF134.00.

Rhône-Poulenc slipped FF3 to FF127, but dealers said that it was largely unaffected by news that it was to recall a

batch of its antibiotic drug as a precaution after one of the batches was tampered with.

Kuromatsumi suffered further fears arose that it would fail to get its rights issue away, the shares finishing down FF11.5.

ZURICH, once again, saw a firm trend early in the day dispelled in the last hour. The SMI index fell 39.0 to 2,627.6 for a 4.9 per cent decline on the week.

Banks, the hardest hit sector, remained under pressure. UBS bearers lost SF125 to SF111.15, for a fall over the week of 9.1 per cent. CS Holding bearers lost SF17 to SF15.33, off 10.1 per cent.

Among the large blue chips, Swissair gave up SF12 to SF11.33 and Roche dropped SF80 to SF6.50.

MILAN remained concerned about the outlook for interest rates and the constitutional court ruling on pensions that could cost the government up to L30,000bn. The Comit index finished 1.79 lower at 636.50, down 7.6 per cent on the day, amid rumours that the sharp fall in prices earlier in the week was the result of selling by domestic brokerages to cover the cost of losses in the bond markets.

Fiat bucked the trend with a 1.65 to 1,626.25.

Mondadori lost L720 to L55.69 but remained solidly over the L5,000 price set for the public offering and placement of 66m shares, which ended yesterday.

MADRID was half a percentage point higher at midday but it closed with the general index down 8.52 at a new 1994 low of 307.79, down 5.4 per cent on the week.

Utilities fared badly. Dealers said that there was a huge seller in Seville, down Pt232 at Pt236.60, and Iberdrola, which fell Pt22 to Pt21.60.

Turnover was Pt1.26bn.

Ibex stocks in the cash market as contracts expired.

AMSTERDAM, too, had to endure the volatility of options expiry and the AEX index closed the day down 3.12 at a new 1994 low of 322.50, down 3.4 per cent.

KPN, the partially privatised telecommunications and postal group, closed its first week of trading off 40 cents at Pt1.49.30, 45 cents below its issue price.

ISTANBUL continued to improve with a 4.7 per cent gain on the day and up 16 per cent on the week. The composite index rose 91.12 to 202.35, in spite of mid-season profit-taking.

Turnover was Pt1.26bn.

Written and edited by William Cochrane, John Pitt and Michael Morgan

SOUTH AFRICA

Gold shares moved ahead on a surge of late domestic buying as the price of bullion broke through the \$388 level near the close.

The overall index gained 11 to 5,784, industrials shed 14 to 6,730 and the gold index added 6.86 to 2,197.

However, unlike the "bubble" era in the 1980s, when

ASIA PACIFIC

Region firmer as hopes rise on N.Korea

Tokyo

Rising hopes over increasing dialogue between North Korea and the US, and the weakening of the yen encouraged buying but selling around the 21,500 level stunted the day's rise, writes Emiko Terazono in Tokyo.

The Nikkei 225 average rose 135.33 to 21,503.30, up 0.5 per cent on the week, after a low of 21,388.65 and a high of 21,572.41 in the morning session on arbitrage buying. Heavy selling by financial institutions countered foreign and individual buying.

Volume rose to 500m shares from 381m. The Topix index of all first section stocks gained 7.00 to 1,705.53 and the Nikkei 300 1.08 to 305.63. Gainers led losers by 683 to 332 with 183 unchanged and, in London, the ISE/Nikkei 50 index rose 3.25 to 1,938.87.

Analysts said that a further rise of the market depended on the participation of private investors: a rise in individual favourites was an encouraging sign, but retail investors tended to be short-term players.

Oki Electric Industry, the most active issue of the day, rose Y10 to Y15 on foreign and individual buying. Isuzu Motors also gained Y22 to Y55 on retail support.

Financial institutions bought cheap laggard car stocks, with Fuji Heavy Industries rising Y13 to Y500 and Mitsubishi Motors advancing Y26 to Y989.

Foreign investors picked up chemical and textile stocks, with Unitika, a textile maker, up Y17 to Y405 and Nippon Zeon, in a synthetic rubber, by Y2 to Y57.

Nippon Telegraph and Telephone fell Y3,000 to Y845,000 but East Japan Railway gained Y10,000 to Y508,000.

In Osaka, the OSE average rose 172.59 to 23,763.14 in volume of 72.5m shares.

Roundup

Mixed fortunes affected the region's markets.

HONG KONG recovered most of Thursday's fall on a late round of bargain hunting and arbitrage-related buying.

The Hang Seng index closed up 91.04 or 1 per cent at 9,113.96, barely changed on the week, in turnover up from

HK\$2.93bn to HK\$3.13bn. However, the key index did recover from a fall below the 9,000 level just after the opening, and the June index futures contract closed 210 higher at 9,181.

Cheung Kong lost 25 cents to HK\$36.25, having reached a low of HK\$35.25 earlier on fears that property sales would be affected by the government campaign to cool down the overpriced property market.

SEOUl moved strongly ahead on expectations that the North Korean nuclear crisis would be resolved peacefully.

The composite index rose 17.46 to 918.54, up 1.9 per cent on the day and 1 per cent on the week.

Turnover was Won64.05bn after Thursday's Won65.25bn.

BOMBAy finished at a 26-month high as both domestic and foreign investors came into the market on the first day of the new account. The BSE index rose 102.62 or 2.4 per cent to 4,290.37, barely changed on the week.

Brokers said that the rally was mainly led by buying in Reliance Industries and Tata Iron and Steel, the former up 1.40 to 1,020 and the latter up 1.20 to 1,020.50, both up from 1,018.50.

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Turnover was 1.26bn after a low of 1.25bn.

TAIWAN turned cautious after its recent volatility, the weighted index rising 10.10 to 16,337.44, up 2.7 per cent on the week, as turnover fell to T\$68.5bn from Thursday's T\$96.4bn.

Selected banking stocks with high profit expectations attracted buying: China Trust, the day's second most active issue, rose T\$1.50 to T\$27.20.

MANILA was depressed by a sharp drop in PHLT after analysts lowered their earnings forecasts. The telephone group's shares lost 3.6 per cent to 1,735 pesos, pulling the composite index down 33.73 to 2,882.63.

The newly listed Megaworld Properties bucked the trend, rising 1.85 per cent to 5.50 pesos. The debut of the shipping group, Negros Navigation, and the ice cream company, Selecta, were expected to give the market further incentive next week.

Turnover was 707.5m pesos. TAIWAN retreated slightly as activity was undermined by the continued weakness in the bond market. The telephone group's shares lost 3.6 per cent to 1,735 pesos, pulling the composite index down 33.73 to 2,882.63.

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MARKETS

London

Where are the benefits of growth?

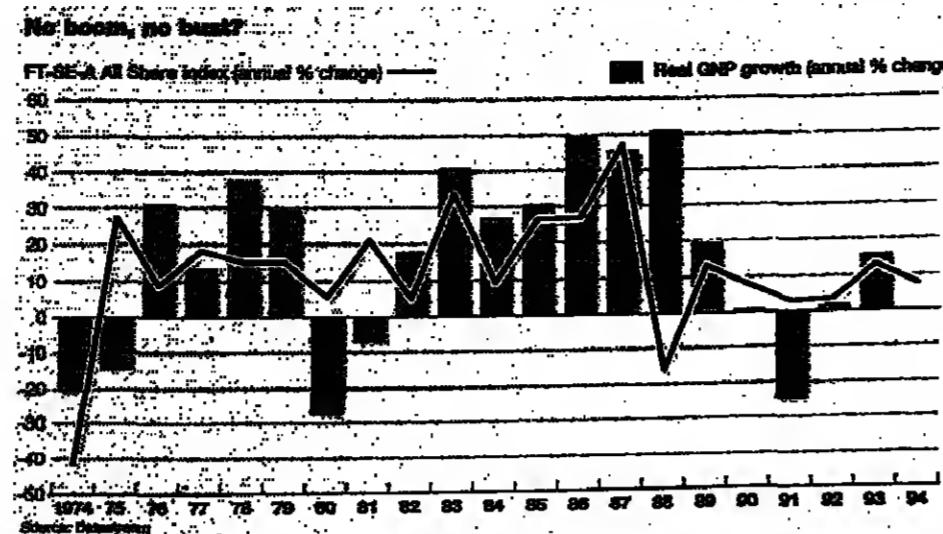
Roderick Oram

There was a time when guests of the Lord Mayor of London strode into his official residence, the Mansion House, under a pediment depicting "The City of London trampling on Envy and receiving the benefits of Plenty".

The pediment is still there, but guests on Wednesday slipped in through a side-door, now the devalued main entrance, to hear Ken Clarke give the chancellor's annual speech to the Mayor and City. He promised that the government had foreseen boom-time policies based on "a fraudulent, inflationary, feel-good factor", which inevitably led to bust.

But if the Government has stamped on inflation, where are the benefits of growth? A raft of economic statistics released this week showed that inflation was indeed moderate but growth was worryingly weak in some respects.

The markets had to cope with this and several disturb-



Economic sky this week. Factory

output prices rose only 0.1 per cent in May from the previous month, but input prices were up 0.9 per cent thanks to higher prices for oil and other commodities.

A rising stock market is a leading indicator, running perhaps some 18 months ahead of economic growth. Judging from the accompanying chart, however, the stock market has been ambling along over recent years, foreshadowing very moderate growth at best.

This year and next, gross domestic product will rise by 2.8 per cent, according to the consensus forecast of 36 predominantly City firms. But four of them – Citibank, Kleinwort Benson, Pannure Gordon and Robert Fleming – expect growth to be well below 2 per cent next year.

The gloomsters were quick to seize on the dark lining to every silver cloud in the eco-

nomic sky this week. Factory output prices rose only 0.1 per cent in May from the previous month, but input prices were up 0.9 per cent thanks to higher prices for oil and other commodities.

Given this fiscal economic

outlook, there is no reason for an interest rate rise, Kleinwort said. In fact, close scrutiny of the minutes of meetings between the chancellor and the governor of the Bank of England, Eddie George, show that the chancellor is aware the economy might slow and that he is prepared to act if it did.

For his part, governor George told the Mansion House audience that a rise in interest rates would be the right response to underlying strength in the economy and the prospect of rising inflation. This was taken by some in the City to mean that interest rates were about to rise.

But for Robin Aspinall of

Pannure Gordon, the risks lie on the downside. He believes that the Governor is too obsessed by the danger of inflation. "We are rapidly approaching the point where the economy will demand still-lower interest rates, yet Eddie's paranoia threatens us with the biggest economic error of judgment since Nigel Lawson was made chancellor."

If rising oil prices did any

body any good this week, it was British Petroleum and Lasmo. BP shares ended the week at 411/4p, matching their all-time high. Buying of the stock continues strong on both sides of the Atlantic and will accelerate if, as expected, the Clinton administration approves the export of oil from BP's Alaskan fields.

For Lasmo, a rising oil price

could float it off the rock of Enterprise's takeover offer.

The bidder marginally improved its terms on Tuesday, no cash is on offer but Lasmo shareholders would end up with 44.5 per cent of the enlarged group rather than the 40 per cent first proposed.

But Lasmo shares are a good play on the crude price. A number of key institutions holding both Lasmo and Enterprise shares might prefer to maximise that opportunity by keeping the two companies separate. The offer closes on July 1.

A number of departures of varying kinds were flagged by companies this week. Amstrad is moving away from "pile-it-high, sell-it-cheap" retailing by buying Viglen, a maker and direct seller of computers. GEC is saying goodbye to Sir Paul Girolami, its chairman through its breath-taking organic growth. He distasteful acquisitions so the company might now warm up to a large takeover. EMAP turned itself into the third-largest publisher of consumer magazines in France through \$100m of purchases, and Central Railway launched a \$3m placing, seed money for its multi-billion pound plan to build a 130-mile railway from Leicester to the Channel Tunnel. It would be the first new mainland route in more than 50 years.

If Central's trains ever run, they would plunge through the Eurotunnel portal in Kent. Judging by Eurotunnel's plunging share price this week ahead of the close next week of its rescue rights issue, a pediment should be erected over the entrance: "Bankers trampling on equity and receiving the benefits of penury".

No wonder the OFT is moved

to question "the extent to

which [certain companies] are

likely to be working in the

interests of their customers".

A second major cause of con-

cern is the wide variations in surrender values between differ-

ent companies. These are most dramatic in the early years. But even after five years, pay-outs can vary by more than 50 per cent. How

many ordinary customers

know which companies are

likely to impose the biggest

penalties?

The OFT also highlights the

close connection between surren-

der penalties and charges.

Surrender penalties are really

charges under a different name.

When the explicit charges fail to cover the initial

costs of getting the customer

on their books in the early

Serious Money

Clients who face a life sentence

Gillian O'Connor, personal finance editor

Life insurance companies are injured to criticism. This is fortunate, for the Office of Fair Trading (OFT) has just put the sting in his tail.

It is already common knowledge that if you cash in a life insurance policy early, you will probably get back less than the premiums you have paid over. In some cases, you get nothing back for the first couple of years.

Yesterday's OFT report on surrender values – what you get back if you cash in a life insurance policy early – makes it clear that the policy changes are not the only most popular types of and investment trusts, shares, personal equity plans, life

insurance and pension plans.

All have several different

charges, and the charges vary

from one type of investment to another. It is hard enough to make meaningful cost comparisons even between investments of the same type; virtually impossible to do so for different types of investment.

How much does this matter? Costs are pretty tedious and conventional wisdom insists, rightly, that performance mat-

ters more than 10 per cent or more.

General Portfolio, the insur-

ance company which sells the

bond, points out that stock

market growth for similar per-

iods of time has averaged 9.3

per cent. What it does not

point out is that its chosen ref-

erence period includes two of

the biggest bull markets of

modern times. Many pundits

argue that these returns were

exceptional, and are predicting

much lower ones in the 1990s.

But the more important

point is that it is possible to

get a guaranteed return in the

upper half of the Millennium

range with absolutely no risk.

A conventional five-year guar-

anteed income bond, which

repays all your original capital,

over the five and a half year

period, will give you back £16,000; ie, your original capital of £10,000 plus £6,000."

Not tempted? Try this one.

"If the FTSE 100 index doubles

over the five and a half year

period, we will give you back £16,000; ie, your original capital of £10,000 plus £6,000."

Better, but still not very

alluring. If you invest in the

FTSE 100 itself, and it doubles,

you will get back a total of £20,000 plus more than £2,000 in

income.

Enough of such titillation.

The product we are talking

about is called Millennium

years, surrender penalties plug the gap. So, when your friendly insurance salesman spills out the policy charges, do not forget the sting in his tail.

■ ■ ■

Our series of articles on investment charges (page VIII this week) shows how hard it is for investors to work out the true costs of investing. We reviewed only the most popular types of and investment trusts, shares, personal equity plans, life

insurance and pension plans.

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income.

Enough of such titillation.

The product we are talking

about is called Millennium

years, surrender penalties plug the gap. So, when your friendly insurance salesman spills out the policy charges, do not forget the sting in his tail.

■ ■ ■

Our series of articles on investment charges (page VIII this week) shows how hard it is for investors to work out the true costs of investing. We reviewed only the most popular types of and investment trusts, shares, personal equity plans, life

insurance and pension plans.

All have several different

charges, and the charges vary

from one type of investment to another. It is hard enough to make meaningful cost comparisons even between investments of the same type; virtually impossible to do so for different types of investment.

How much does this matter? Costs are pretty tedious and conventional wisdom insists, rightly, that performance mat-

ters more than 10 per cent or more.

General Portfolio, the insur-

ance company which sells the

bond, points out that stock

market growth for similar per-

iods of time has averaged 9.3

per cent. What it does not

point out is that its chosen ref-

erence period includes two of

the biggest bull markets of

modern times. Many pundits

argue that these returns were

exceptional, and are predicting

much lower ones in the 1990s.

But the more important</

FINANCE AND THE FAMILY

10 face
lence

Your lapses are their profits . . .

If you're baffled by life policy surrender values, so was the Office of Fair Trading. Norma Cohen reports

One of the continuing great mysteries for Mr and Ms Policyholder has been how to calculate how much cash will be returned if an insurance policy is cashed in early.

While there are no official figures on how many policies might fall into this category, data prepared for securities' regulators two years ago suggest that one-quarter to one-third of all policies are cashed in during the first two years

alone. The Office of Fair Trading says its own information suggests that the policies most likely to lapse before maturity are unit-linked and sold by

direct sales forces, while those least likely are with-profits policies sold through independent financial advisers.

This week, the OFT released results of a study aimed at clearing some of the mystery out of early surrenders. Aided by an actuarial consultant, Alexander Clay and Partners, it looked at how 60 of the UK's largest life insurers treat their customers.

It found that a number of companies actually profit from early lapse rates - and that many people holding policies

with companies that have relatively high lapse rates are actually worse off than if they had no policy at all.

The OFT concluded: "On the basis of assumptions about lapse rates and projections of surrender and maturity values, the policyholders of some companies appear to receive average rates of return which are no more than marginally positive, or even negative."

The OFT noted that the reason for there being mystery about surrender values was because life insurers had never been required to disclose them. From January, new rules - urged by the OFT - will help to remedy that.

The data compiled by the OFT shows huge differences in surrender values:



■ On a 10-year with-profits policy paying £50 a month, Equitable Life will return 98 per cent of actual premiums if surrender takes place in the first year, and 113 per cent - if policy is surrendered in year five. If you add in nominal investment income to the premiums, as we have done in the tables, the figures are still a respectable 94 per cent.

■ On exactly the same type of policy, Royal Life pays nothing if surrender occurs in the first year and only 75 per cent of premiums for a policy surrendered in year five.

■ For a 25-year, unit-linked policy paying £50 a month, TSB Life returns 43 per cent of all premiums paid if surrendered in year one, and 83 per cent if surrender occurs in the fifth.

■ Allied Dunbar returns zero per cent of premiums if surrendered in years one or two, and only 50 per cent if surrender occurs in year five. The OFT study also attempts to explode one of the great myths of life industry advertising. This has placed great emphasis on the final maturity values of long-term policies. Financial publications also tend to give these figures.

Moreover, some companies pay very low surrender values in early years but deliberately tilt their policies to give the greatest bonus in the final year, effectively propelling them to the top of the league tables.

The OFT argues, however, that because the vast majority of clients are unlikely to hold their policies to maturity, it would be more helpful to look at each company's weighted average rate of return (WAR). And policyholders whose company is at the top of the final

maturity value league table may find that the WARR is actually less attractive than that of competing providers.

The OFT prepared tables showing how this works. It identifies two companies, Company H and Company L (each of which is a composite of three) and demonstrates how they treat customers with a 10-year policy.

By adding a five per cent maturity bonus, Company L comes top of the league table with a final value of £7,590. But for policies surrendered in year one, Company L pays nothing while Company H offers a refund of £343.

In year two, Company L pays nearly twice that, at £857. In fact, in nine of the 10 years of the policy, Company H is the better bet, a fact which never shows up in the league tables.

Moreover, the OFT said, the idea that unit-linked policyholders could understand readily the surrender values of their policies simply by reading the product literature was quite false.

John Mills, head of the OFT's consumer policy division, added: "These things are not only obscure to the average consumer but to the informed consumer as well."

The OFT, in attempting to compare the charges on unit-linked policies, found that companies used so many different mechanisms that it was almost impossible to judge one against the other.

It discovered that nine of 42 used a "reduced allocation" in early years, while eight had a device called "capital units" upon which management fees of three to four per cent were levied.

10 YEAR WITH-PROFITS

Top 5

Eagle Star	3,315
Standard Life	3,276
Scottish Amicable	3,030
Norwich Union	3,011
CIS	3,003

Bottom 5

NPI	2,244
Royal Life	2,251
London Life	2,297
Prest	2,409
Legal & General	2,444

10 YEAR UNIT-LINKED

Top 5

Equitable Life	3,346
Eagle Star	3,189
Scottish Life	3,164
Barclays Life	3,127
Scottish Amicable	3,120

Bottom 5

Ava Equity & Law	2,317
Guarfield	2,531
Reliance Mutual	2,590
Irish Life	2,639
London & Manchester	2,685

10 YEAR UNITS WITH-PROFITS

Top 5

Sumander values after 5 years	
Total premiums paid: £3,625 £	

Equitable	3,390
Abbey National	3,045
GA Life	3,005
Norwich Union	3,000
Standard Life	2,998

Bottom 5

NPI	2,244
Royal Life	2,251
London Life	2,297
Prest	2,409
Legal & General	2,444

25 YEAR WITH-PROFITS

Top 5

Sumander values after 5 years	
Total premiums paid: £3,625 £	

Equitable	3,390
Abbey National	3,045
GA Life	3,005
Norwich Union	3,000
Standard Life	2,998

Bottom 5

Ava Equity & Law	2,317
Guarfield	2,531
London & Manchester	2,695
Clerical Medical	2,740
Sun Life	2,768

25 YEAR UNITS WITH-PROFITS

Top 5

Sumander values after 5 years	
Total premiums paid: £3,625 £	

Equitable	3,390
Standard Life	3,247
Friends Provident	2,470
Norwich Union	2,422
Midland Life	2,398

Bottom 5

MGM	1,690
Guarfield	1,699
Ava Equity & Law	1,920
Clerical Medical	1,970
London & Manchester	2,057

units and investment returns.

■ All tables based on OFT statistics. Total premiums of £3,625 include £625 of accumulated interest.

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(Incorporated in England and Wales under the Companies Act 1985 with registered number 2930057)

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Schroder Japan Growth Fund plc Application Form

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This form should be sent by post or delivered by hand to Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or delivered by hand or by courier to Bank of Scotland, New Issues, 38 Threadneedle Street, London EC2. The form must be completed using BLOCK CAPITALS and in ink.

We offer to subscribe for _____ Ordinary Shares (with Warrants attached) at 100p each

in Schroder Japan Growth Fund plc on the terms and subject to the conditions of application set out in the Listing Particulars dated 7 June 1994.

and We attach below a cheque or banker's draft for the amount payable, namely £_____

(The figure in the above box must be the same)

PLEASE USE BLOCK CAPITALS

Mr/Mrs/Miss or Title _____ Forename(s) (in full) _____

S

FINANCE AND THE FAMILY

In from the cold at last

Mark Suzman on the resurgence of the Johannesburg stock market

Despite South Africa's years of isolation, the Johannesburg stock market is no stranger to foreign investors - indeed, the exchange was set up largely at the behest of British financiers involved in the gold industry at the end of the last century.

Rather than speculators, however, the market now is trying to attract the new masters of the global market place: fund managers and their investors.

Helping the drive is the fact that, in a sharp turnaround, South Africa now is regarded as an ethical investment by many of the individuals and institutions that shunned it for its racial policies during the apartheid era.

It is not just changing political considerations, however, that have led to the increased interest in the market. The JSE has performed very strongly over the past 18 months, providing attractive returns virtually across the board.

And although price/earnings ratios and yields are near historical highs by local standards, the market remains relatively undervalued when considered in a global context.

The JSE's recent inclusion on several global market indices - most notably the International Finance Corporation, which tracks emerging markets - also has boosted confidence. Many funds which base their portfolios around such indices are expected to shift their weighting in favour of South Africa over the next few months, with a potential windfall of billions of dollars.

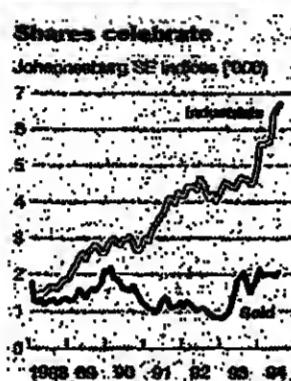
Yet, although classified as an emerging market, the JSE is better regarded as a re-emerging market. It is a mature body with a wide range of stocks: a market capitalisation around \$160 billion, putting it just outside of the world's top 10; and a well developed regulatory and legal framework.

There are, however, a couple of peculiarities about the market of which the prudent investor needs to be aware. Most important, and confusing, is

South Africans come to town

British investors will soon have access to their first South African investment trust. The Old Mutual South Africa trust, run by the republie's largest life and fund management group, will invest in a wide range of local concerns, although with a bias towards industrial and financial stocks and smaller and medium sized companies.

This is because some of the largest, best-known South African companies also have shares traded on the London market, making them easily accessible already to UK investors. But when it comes to



the country's two-tier currency. Non-residents invest using the financial rand exchange rate; this operates at a variable discount (now around 25 per cent) to the commercial rand, the country's main trading currency.

Non-residents invest using the financial rand exchange rate; this operates at a variable discount (now around 25 per cent) to the commercial rand, the country's main trading currency.

Intended originally to deter foreigners from withdrawing their capital during the sanctions and disinvestment era, it also provides an attractive incentive for new investment. Because all dividends are paid

in commercial rands, foreigners stand to augment substantially their yield on local shares.

Nonetheless, the currency is quite volatile, especially during times of political uncertainty, and investors could just as easily see their capital gains negated from currency depreciation, even while yields soar.

Another problem with the JSE is its low liquidity, annual turnover last year amounted to only 7 per cent of market capitalisation, far below global norms. This is, largely, the result of two factors: the existence of large conglomerates unwilling to trade their shareholdings, and exchange control restrictions which make it illegal for domestic investors to send funds abroad, so encouraging them to retain local blue chips.

This can be irritating for foreigners who, sometimes, find their stocks have low tradeability. But the exchange authorities recently have made a number of proposals to try to improve the situation. And with further pressure coming from both inside and outside

the country, it is likely things will continue to improve.

Even with these problems, though, the JSE remains a relatively good bet. Just as a century ago, the most popular investments among foreigners are gold stocks, which tend to be relatively undervalued compared with their American and Australian counterparts and remain a good hedge against inflation.

This signalled the end of the low interest rate era.

Funds flowing out of US suddenly changed direction," says one City analyst. "Investors, afraid that the dollar would soon rise, quickly dropped bonds denominated in Euro-currencies."

The markets were particu-

larly unnerved by the fact that the interest rate rise came when most inflation indicators were pointing downwards. "That suggested that the authorities knew something the markets did not," says Shepherdson.

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The UK base rate cut on Feb-

re there any reasons to be cheerful about the UK government bond market? After all, it keeps on falling, despite the occasional respite, and probably has still further to fall.

The answer depends on whether inflation and interest rates remain low. Even then, the bettered investor might take a lot of persuasion to return to gilts.

The yield on long-term gilts has risen by more than 2 percentage points since the beginning of the year, to 8% per cent, and their price has crashed by more than 20 per cent. Why? "It was just an unfortunate combination of events. There's no single explanation," says Ian Shepherdson, an economist at Midland Global Markets.

"The initial sell-off began when the hedge funds ended their feeding frenzy after pushing bond prices up to unsustainable heights and decided to take their profits and move on." Hedge funds are large pools of speculative capital which are switched between financial markets to exploit short-term opportunities.

Then came a succession of events, beginning with the move on February 4 by the Federal Reserve, the US central bank, to put up short-term interest rates.

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The UK base rate cut on Feb-

Gilts fall on hard times

Graham Bowley on why investors may well remain wary of bonds

Graham Bowley

February 8 was taken very badly by the gilt market. "Maybe it was justified on fundamental grounds," the analyst says. "There has been some decent activity numbers."

"The problem was the timing and the subsequent revelation that Eddie George [governor of the Bank of England] didn't want it. It was seen as blatant political manoeuvring."

Next came anxiety over rising earnings figures, which were seen as a precursor to rising inflation. Finally, there was the Conservative party's protracted political woes, which added to uncertainty and scared off many investors.

Many believe this succession of "unfortunate" events has changed the fundamental nature of the gilt market. City analysts say investor confidence has been damaged in a way they have never seen before. What, then, will it take to restore confidence in gilts?

One answer comes from Simon Briscoe, an economist at S.G. Warburg: "There has to be continued low inflation and low average earnings numbers, more subdued consumer activity, and a slowdown in the housing market."

Investors also have to be convinced that all the speculative positions have finally been unwound. "That will probably happen when speculators come to show their half-year results at the end of June," says Stephen Lewis, of London Bond Broking. "Investors also have to build up large amounts of cash before they are ready to invest - and that will take a month or two yet."

"If this continues, then there is no doubt that current yields are extremely attractive," says Briscoe. He is confident that inflation and interest rates will remain low for the remainder of the year, although he thinks the outlook for gilts is less favourable beyond that.

Another necessary condition for a recovery in gilts is a slowdown in the US economy in order to retard the rise in official US interest rates and dampen any propensity the dollar might have to rise.

Investors also have to be convinced that all the speculative positions have finally been unwound. "That will probably happen when speculators come to show their half-year results at the end of June," says Stephen Lewis, of London Bond Broking. "Investors also have to build up large amounts of cash before they are ready to invest - and that will take a month or two yet."

Analysts agree the UK's political uncertainty must end.

Recent talk of tax cuts to boost the standing of prime minister John Major "would be the last thing the gilt market wants," another analyst says. "It would not smell of sound political management."

There are signs of optimism among some investors, though. Barry Woolf, investment director at Mercury Fund Management, says: "We have been gently adding to gilts at this level. All bond markets are going to remain slightly volatile, but, provided we are right on the fundamentals, there's money to be made in gilts."

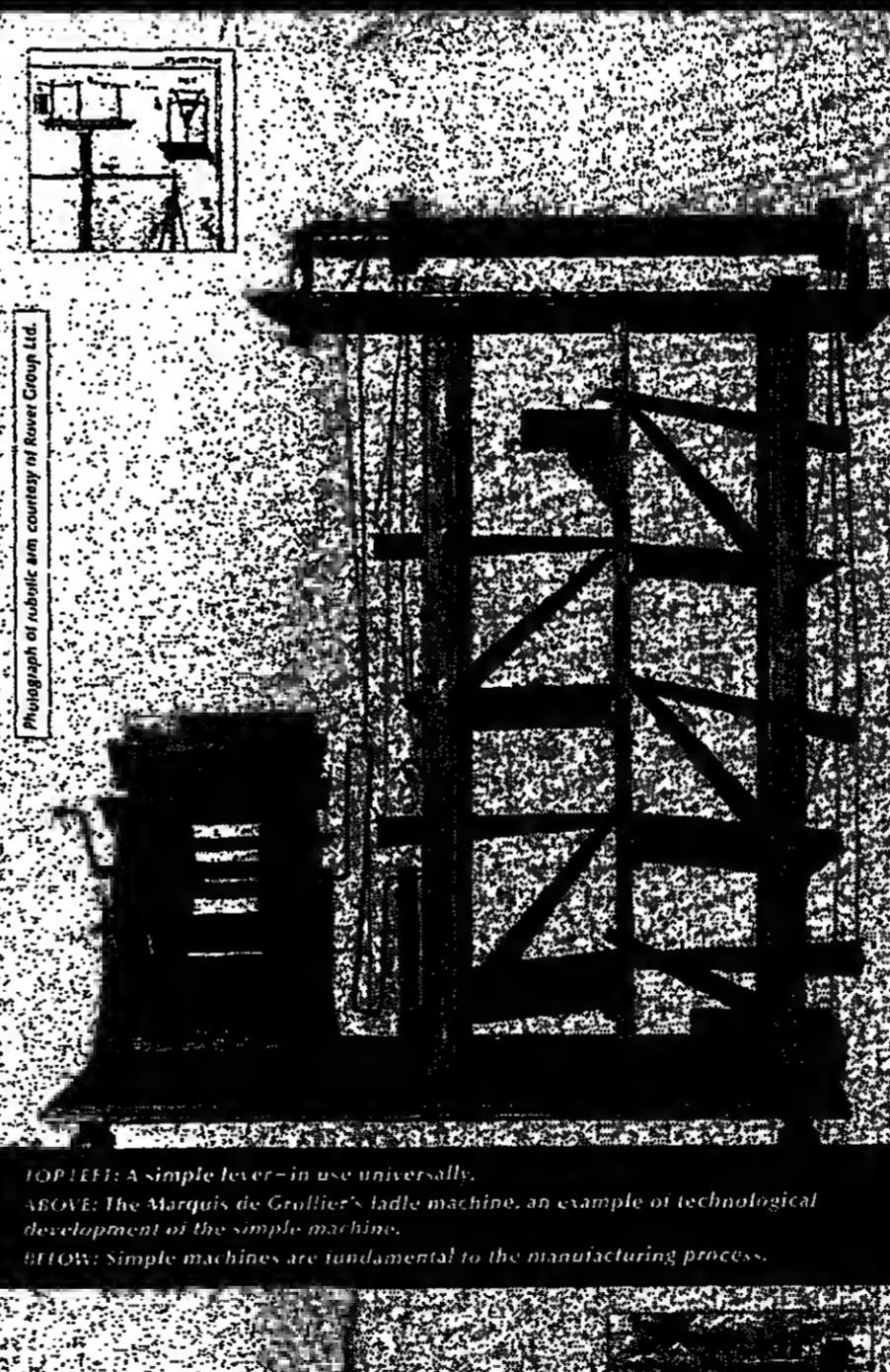
The problem is that even if all these conditions are met, the large institutional investors with the funds to change market sentiment may still be wary of committing themselves after having their fingers burnt so badly.

In his Mansion House speech in the City this week, Kenneth Clarke, the chancellor of the exchequer, pledged that the government would not create a new boom and bust cycle generating a "fraudulent, inflationary, feel good" factor among voters. "We will cut taxes again," he said, "but only when we can afford to do so."

The impact of Clarke's words was softened, however, when George warned that interest rates would have to move upwards at some time in the future "to maintain the [economic] expansion at a sustainable pace". This might hardly have been news, but it would not have encouraged the gilt market.

There are reasons to be cheerful, and the chancellor will continue to do his best to keep investors' spirits up. But with the market in its present nervous state, needed several pieces of good news to offset every single hit of bad news; it will take a lot of good news to convince investors to take their first tentative steps back into gilts.

INVESCO Analytical



TOP LEFT: A simple lever in use universally.

ABOVE: The Marquis de Grullier's lathe, an example of technological development of the simple machine.

BELOW: Simple machines are fundamental to the manufacturing process.

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FINANCE AND THE FAMILY

Winners? They just lost less

UK EQUITY GROWTH

Winners

% change, 1/2/94 - 1/6/94

Premium Life Growth -8.7
Family Trust -9.7
Fidelity Recovery -9.8
Evermore Recovery -10.3
Ariwright Recovery -10.4
MGM Special Situations Gth -10.7
Pembroke -10.8
Aberdeen Portfolio -10.8
M&G Capital -11.4
Framlington Capital -11.5

UK EQUITY GENERAL

Winners

% change, 1/2/94 - 1/6/94

Fidelity UK Reverse Index -13.4
Govett MIS UK Bear -12.8
Mercury WT UK Bear -12.0
St Vincent HI Inc -12.5
Prem Lf Monthly Inc -12.8
M&G Midland & Gen -10.5
Fleming Balanced -9.9
M&G Midland & Gen -10.5
Fleming Equity Inc -12.2
L&C Income -13.3
Friends Prov Stewardship Inc -13.6
M&G Second General -13.7

UK EQUITY INCOME

Winners

% change, 1/2/94 - 1/6/94

Glenfriars High Inc -9.2
Chard Asset UK Inc -11.9
Exeter High Inc -12.0
St Vincent HI Inc -12.5
Prem Lf Monthly Inc -12.8
Maldon Genn -12.8
M&G Equity Inc -12.2
L&C Income -13.3
Friends Prov Stewardship Inc -13.6
CH Monthly Inc -13.7

Losers

Losers

% change, 1/2/94 - 1/6/94

Five Arrows UK Exl Inc -23.8
Gartmore Share Utilities -24.1
Swiss Life Equity -21.3
Five Arrows Mf UK Cos -21.2
Framlington Gth & Gth -20.9
M&G Income -21.7

Hill Samuel Inc & Gth -20.8
Legal & Gen UK Taxt Al -20.8
Abbey General -20.5
Mayflower British Ldrs -20.3
Edinburgh Gth & Inc -20.3

Lloyds Bk Smr Cos & Rvry -6.8
Hill Sam UK Emerg Cos -4.3
M&G Smr Cos -8.7
Discretionary Unit -7.0
Gartmore UK Smr Cos -7.8

UK BALANCED

Winners

% change, 1/2/94 - 1/6/94

Fidelity CR UK -8.8
HC SL Securities -9.0
Hypo F&C HI Inc -11.4
Newton Distributor -12.0
GPE Balanced -13.4
Morgan Grenfell HI Inc -14.5
CU PPT Monthly Inc Plus -14.4
BG Managed Fund -14.9
BWD Bal Portfolio -15.0
Sun Life Mgd Ex Inc -15.8

UK SMALLER COS

Winners

% change, 1/2/94 - 1/6/94

Guinness PTE Emerg Cos -4.3
Mercury WT UK Gilt Bear -11.1
Govett MIS Gilt Bear -10.0
Evermore Smr Cos -6.5
Waverley Penny Share -6.5
Burridge Shrt Dated Gilt -6.5
Whittingdale Shrt D Gilt -6.5

Losers

Losers

% change, 1/2/94 - 1/6/94

Mercury WT UK Smr Cos -14.9
Sun Life UK Smr Cos Ptf -14.5
Thinton UK Smr Cos Dv -14.4
Al Dundee Smr Cos -14.1
Kleinvort B Smr Cos Dv -13.9

Afford Dundee Smr Cos -13.7
Abbey UK Growth -13.7
Baring UK Smr Cos -13.6
GT Smr Cos Dv -13.6
Family Smr Cos -13.6

Scheherazade Daneshkhu looks at unit trust performance this year

To speak of unit trust "winners" since the UK market peak in February is to talk in entirely relative terms. The so-called winners have simply lost investors less money than other unit trusts.

Since the Federal Reserve,

the US central bank, raised

short-term interest rates on

February 4, the only sectors

(see table at right) to have

been profitable, on average,

have been Japan and money

markets.

The Japanese market has

turned since a period of

decline, but analysts differ

about how quickly it may

recover. The markets of the

Far East generally have been

in decline since February,

so Japan's performance helped

to pull up the Far East (including

Japan) sector compared with

Far East (excluding Japan).

Europe has been less of a

disappointment than other

parts of the world, with

smaller companies delivering

the stronger performance and

a gradual fall in interest rates.

The Fed's move was

designed to pre-empt a rise in

inflation, fuelled by the potential

of a stronger than expected

recovery, but it upset nervous

US and UK markets. The Dow

Jones index fell by 5 per cent

between February 1 and June

1, recovering from a drop of

almost 10 per cent at the begin-

ning of April.

The FT-SE All-Share fell by just under 15 per cent over the same period, after an extended period of strong per-

formance. The bottom of the

unit trust performance table is

inhabited by UK funds, with

the notable exception of UK

smaller companies.

The markets have gone

down because of fears that

interest rates will go up, but,

ironically, that fear is because

it looks as if the economic

recovery is happening," she

says. "Small companies and

recovery stocks are productive

companies which benefit in a

consumer recovery."

Some of the over-reaction

could be due to the use of trad-

ing in derivatives. Since there

are no futures contracts in

smaller companies, the UK Smaller

Companies sector has

been insulated from the type of

volatility associated with these

instruments.

George Luckraft, director at

Carrington Pembroke (which

changed its name recently from

John Carrington & Co.),

The tables on the left list the performance of the top and bottom funds in each UK sector over the period.

A cursory glance at the funds which are not preceded by a negative sign (UK Equity General and Gilt and Fixed Interest) shows some good gains, up to 13.4 per cent. But a closer look reveals that all but one of these are reverse index or "bear" funds, which use derivatives to deliver the opposite of an index.

In the UK Equity Growth sector, a noticeable number of the better-performing funds are recovery trusts. These stocks usually do well when an economy is coming out of recession but are not usually associated with good performance in falling markets. But Mary Blair, Fidelity's product development director, believes the UK market has over-reacted in the degree to which it has dropped, and that recovery is still the dominant theme.

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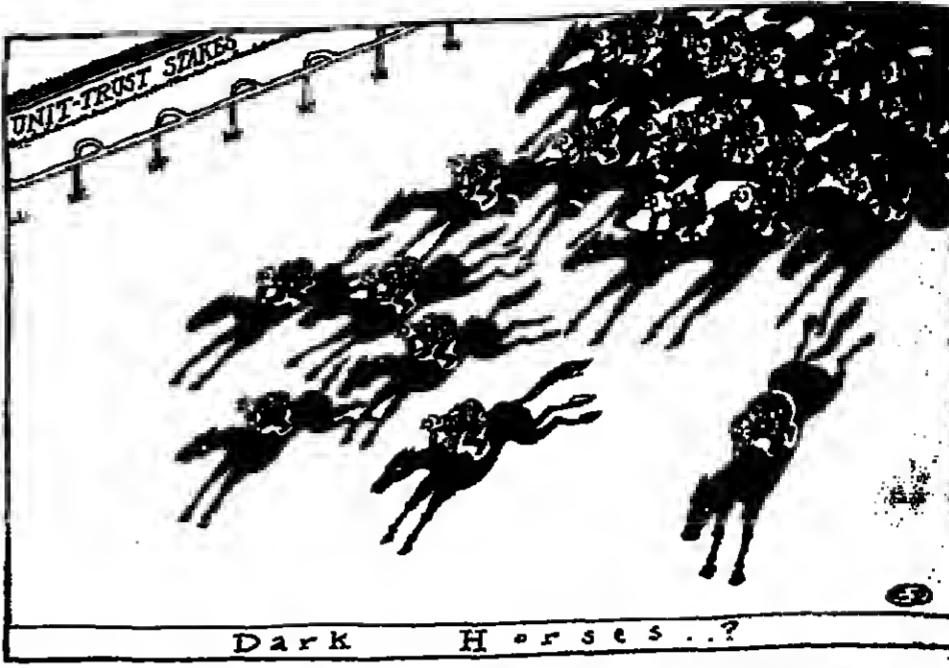
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ironically, that fear is because

it looks as if the economic

recovery is happening," she



Dark Horses...?

UNIT TRUST SECTOR PERFORMANCE

% change 1/2/94-1/6/94

Sector	Average	Best	Worst
Japan	1.3	10.9	8.7
Money Market	0.7	1.3	8.7
Europe	-6.9	11.0	-18.3
Far East Inc Japan	-10.1	-1.1	-12.2
UK Smaller Cos	-10.8	-4.3	-14.8
North America	-11.2	8.5	-11.1
International Equity Gth	-11.7	-2.0	-18.4
Commodity & Energy	-12.0	-2.6	-18.8
International Fixed Int	-13.2	-9.6	-18.4
International	-13.5	-5.4	-21.5
UK Gilt & Fixed Int	-13.6	11.1	-20.1
International Equity Inc	-14.6	-10.5	-19.0
Investment Trust Units	-15.0	-12.3	-18.5
Far East Excl Japan	-15.2		

FINANCE AND THE FAMILY

Go private - if you can

Bethan Hutton explains why it can be hard to get medical insurance

Scare stories about age discrimination in NHS hospital treatment may be making more elderly people think about private medical insurance. Yet, while the government has encouraged this in recent years by offering tax relief on medical premiums for those over 50, the last Budget cut the relief available to a maximum of 25 rather than 40 per cent.

Medical insurance will be hit by the 2.5 per cent tax on all insurance premiums due to be imposed from October this year. But one spot of good news for pensioners is that the tax is added before relief is calculated, so you end up getting tax relief on the tax element, too.

Relief is available to whoever pays the premiums, whether they are themselves the policy-holders or are paying for elderly relatives.

The rules about which insurance schemes qualify for relief are fairly strict. Any plan which offers cash benefits for nights spent in NHS hospitals, or covers GP or dental treatment, will not qualify.

Changes announced last week mean that plans covering occupational therapy and a few other treatments are no longer excluded, but any scheme including alternative medicine will not be eligible.

Jan Lawson, a specialist adviser on medical insurance with the Private Health Partnership, says the biggest barrier for over-60s seeking medical cover is not finding a policy



which qualifies for tax relief but getting cover for existing conditions.

By the time they reach their 60s or 70s, many people have minor medical problems which, in themselves, are not likely to lead to any claims but could contribute to future problems that would require surgery or other treatment. These include such conditions as mild high blood pressure and arthritis which, if it deteriorated, could require a hip replacement.

Most insurers operate a moratorium policy: if you have had a medical problem in the past, but have not seen a doctor about it, taken medication or had any other form of treat-

ment for it in the five years before joining the insurance scheme, any recurrence will be covered immediately.

If it has been active within five years, you need to be free of the problem for at least two years after joining the scheme before it will be covered. But if you have high blood pressure, and are taking daily medication, you will never have a two-year period without treatment.

Thus, the insurer can refuse to pay for anything needed to correct problems that could be traced back to this condition. Ignoring medical advice and failing to take the pills will not help you, either.

Some insurers are more sym-

pathetic than others, however, so using a specialist broker could be a good idea if you have any health problems.

Medical insurers often refuse to accept new customers in their 60s or older because they are seen as high risk. Clinicare, one of the few insurers which will underwrite existing conditions (for a higher premium) rather than imposing a moratorium, does not usually take on new clients over 64.

Since tax relief was introduced, though, many other insurers have introduced special policies for retired people and have increased their upper age limit for new business.

WPA offers one policy that accepts new customers up to age-76, and another which has no age limit. PEP also sets no limit, while Bupa will take new customers up to 75 in most of its plans.

Obviously, cost is an important consideration, but many factors will dictate which scheme is right for an individual - including how flexible it can be if circumstances change. Pensioners can choose from plans with no-claim discounts, high excesses, six-week waiting list systems, and a myriad other ways of cutting premiums.

But as long as insurers impose such strict conditions on covering a person's medical history, the best advice seems to be to sign up for insurance while you are young and healthy. Otherwise, when you need it, you could find you are too late.

NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	She Do	Yield %	PEP	Savings	Issue Price P	Outside PEP		Inside PEP		Offer Period	
									Minimum	Maximum	Annual	Minimum		
■ INVESCO Japan Discovery INVESCO Asset management (0800 010333)	Panmure Gordon	Japan	1:5	n/a	No	Yes	100p	95.1p	1,000	1%	n/a	n/a	14/7/94-29/7/94	
Specialising in Japanese smaller companies, to be run by manager of Invesco's Japan Smaller Companies unit trust														
■ Old Mutual South Africa Trust Old Mutual (071 772 2173)	Smith New Court	Emerging Mids	1:5	50	n/a	No	No	100p	95.5p	1,000	1%	n/a	n/a	23/6/94-1/7/94
The UK's first South African investment trust, specialising in smaller and medium sized companies														
■ Schroder Japan Growth Fund Schroder Investment Management (0800 526535)	Smith New Court	Japan	1:5	100+	n/a	No	Yes	100p	95.5p	2,000	1%	n/a	n/a	7/6/94-30/6/94
General Japanese fund from the Schroder stable, which already runs several Japanese unit trusts														

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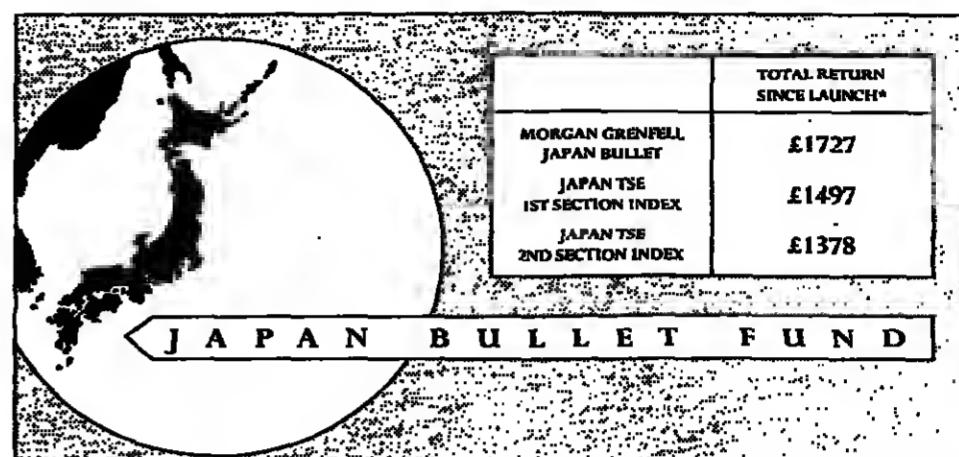
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*Source: NAV to NAV, gross income reinvested since launch (7.2.92) to 1.6.94. Please remember that past performance is not necessarily a guide to future results. The value of shares and income from them may fall as well as rise and investors may not get back the original amount invested. Changes in exchange rates may also affect the value of your investment, housed by Morgan Grenfell Investment Funds Ltd, 20 Finsbury Circus, London EC2M 1UT, Member of IMRO.

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The fund currently includes trusts run by Schroders, Fidelity, Gartmore, Lazard Frères, Foreign & Colonial, Newton, NM, GT, Credit Suisse, Morgan Grenfell, Baillie Gifford, Guinness Flight, City of London, Rothschild and Perpetual.

Over 50% of the underlying investments are in UK and other European Union countries.

OUR RECORD

From launch in December 1989 to 1st June 1994 the value of units with net income reinvested (offer to bid) rose 74.0%, the best performance over the period of any of the funds of funds monitored by Micropal.

Over other periods to 1st June 1994, performance was as follows:

4 years:	+ 71.4%	1st out of 22
3 years:	+ 68.2%	1st out of 30
2 years:	+ 55.5%	2nd out of 44
1 year:	+ 27.3%	1st out of 59

Past performance is not necessarily a guide to future performance.

LOW VOLATILITY

The fund minimises volatility through extensive diversification. It aims to avoid the sharp peaks and troughs of more specialised funds. It can serve as a complete portfolio of equity investment for risk-averse pension funds, trust funds and children's trusts as well as for individuals.

All investors should however bear in mind that the price of units and the income from them can go down as well as up.

GENERAL INFORMATION

Applications will be acknowledged. Certificates will be sent within 21 days of the dealing day.

Units are valued at 9.00am on Mondays, and on other days with the Trustee's approval. Orders to sell or buy units must be given at the next valuation following receipt of instructions.

To cash in, simply send us your renounced certificate and your cheque will be posted within three days of the dealing day.

Units are automatically reinvested and reflected in the price, or income units from which net income is distributed on 28th February and 31st August every year, and every day in the Financial Times. The bid-ask spread depends on the size of your initial investment and will be approximately the same as the effective initial charge. On 6th June 1994 the unit price was 166.30 and the gross annual yield was 6.64%.

The trust deed gives discretion to the managers to vary the pricing basis of units and limits the annual management charge to 1.5% (2.0% for Trustee's, Registrar's and Auditor's fees) paid by the manager following receipt of instructions.

Commission is payable to approved intermediaries at the rate of 60% of the effective initial charge.

Income is paid out or reinvested on a basic rate.

Holiday rate taxpayers may incur a further liability. Any disposal of units may be liable to capital gains tax.

Regular meetings of unitholders are held in London following the publication of annual and half-yearly reports and accounts.

The fund is an authorised unit trust constituted under the Financial Services Act as a fund of funds. It is a wider range of investment under the Trustee's Investment Act.

Complete the trust deed, the latest report and the scheme particulars are available from the Managers on request.

The Trustee is Midland Bank plc, Marine House, Finsbury Square, London EC4A 1DA (Member of IMRO).

The Registrars and Administrators are Unit Trust Accounting & Management Limited, 1 White Hart Yard, London SE1 1NX. Telephone 071-907 5966. Fax 071-732 4000 (Member of IMRO).

The Managers are Portfolio Fund Management Limited, 64 London Wall, London EC2M 5TP. Telephone 071-638 0808. FAX 071-638 0050. Members of IMRO, LAUTRO and AUTIE.

For further information, contact the Managers on 071-638 0808.

For accumulation units in which net income is reinvested, please tick here

NAME _____

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(Joint applicants should all sign and enclose details separately.)

FINANCE AND THE FAMILY

When confusion reigns

Personal pensions: last in the series on the true costs of investing

Good investment performance will always compensate for high charges - but if investment performance falls, you are left with the high charges. These can have a dramatic effect on how much your personal pension plan produces when you cash it in.

Although charges on such plans usually are stated explicitly in the product brochure, working out their implications is almost impossible.

This confusion is made worse by the fact that while new rules on life insurance disclosure come into force at the end of this year, all personal pension providers (mostly insurance companies) must until then quote an identical set of charges laid down by the regulator.

It is, therefore, impossible to tell which companies have high charges and which are particularly competitive.

To make matters even worse, the standard set of charges is now so dated that virtually all of the 100-plus providers have higher fees than the standard.

Personal pension plan charges come in a variety of guises and disguises, from the relatively straightforward to the frankly incomprehensible. They include:

■ Bid/offer spread As with most shares quoted on the stock exchange, this reflects the difference between the buying and selling prices, and is usually 5 per cent plus a rounding charge.

■ Annual fund charge All funds have an annual management charge, the norm being 1 per cent but varying from nil on cash funds to 1.75 per cent a year for highly specialised funds. Several companies return part of this fee at retirement, re-labelled as a "loyalty bonus."

■ Policy fee, service or administrative charge These fees are charged for collecting contributions. They usually start at an innocuous level of about £2 a month, but nearly all are linked to an index and will rise in line with its increases. Most link to the index of national average earnings, which rises more rapidly than the alternative, the retail price index.

Obviously, the smaller the contribution, the bigger the slice the policy fee will represent. Even for single contributions (for example, a lump sum transfer from another scheme), some companies still levy an administration charge.

deducted monthly by cancellation of units or as a single deduction at outset of about £100.

■ Unit allocation This is the percentage of the contribution actually invested in units. The rate will vary enormously between the providers, how often contributions are paid, and how far you are from retirement. Unit allocations are always higher for lump sum contributions than annual; the lowest are for monthly contributions.

Do not be fooled by companies that tell you the allocation is, for example, 102 per cent of what you pay. Although it sounds good, it simply means the charges are being deducted elsewhere.

Unit allocations can be as little as 50 per cent of the first year's contributions. But some smaller life companies, which sell pensions entirely through their own sales forces, can have a unit allocation of zero for the first two years.

■ Capital levy This is the most obscure and, frankly, the most misleading of all charges levied on personal pensions.

It is an old-fashioned method of taking out up-front charges

and is used simply to disguise this fact.

Life offices that operate this system will have two types of unit, capital and accumulation. For the first one or two years, contributions will be allocated to capital units which bear an additional annual charge throughout the lifetime of the pension plan. Capital units do not apply to lump sum contributions.

By operating this system, the brochure (or the salesman) will be able to say that 100 per cent of contributions are invested from day one. Clearly, this is better from their point of view than saying that half or all of your first year's contributions are swallowed up in charges.

The capital unit method disguises this completely.

■ The sting in the tail Watch out for "hidden" charges that may not be apparent from the brochure or the salesman. These are penalties levied if you cancel your policy in the early years. This charge can be swinging - General Portfolio, for example, has a nil value on its personal pension if you cancel in the first five years.

To show the effect of charges, we have taken a £10,000 single contribution. If it



were to grow at 10 per cent a year without any charges deducted, it would be worth £25,367 after 10 years.

The average charging policy would deduct a total of £3,857 but the highest charging plan - that of Royal London - would deduct £4,846, which is almost 19 per cent of the fund value.

It is impossible for the layman to work out the effect of all these complex charges, but there are two ways of avoiding the most onerous. You can pay by single contributions or recurring single contributions; or pay an independent adviser a fee, thus ensuring that the commission part of the charges is re-invested in the pension plan.

In the example given above, the most competitive personal pension plan with no commis-

sion deducted is from Provident Life. Its charges amount to a deduction of £1,774 over 10 years, or 6.8 per cent of the total. But do not forget that the cost of the fee, and lost interest on that, has to be taken into account.

Janet Walford
■ The author is editor of Money Management magazine

Car-maker's Bitter blow

In the heady days of the mid-1980s, I was persuaded to invest in Bitter Corporation, a German company run by one Eric Bitter, engineer extraordinary and maker of the fabulous up-market Bitter luxury sports car.

The last I heard was a curt letter - possibly in 1988 - saying that Bitter shares could now be dealt with on the NASDAQ system in the US. What happened to Bitter? Are the shares still tradeable?

■ Bitter shares are certainly not dealt with on NASDAQ and, as far as we can determine, the company is no longer trading. (Answer by Murray Johnstone Personal Asset Management)

Suspect - but I wasn't told

On August 18 1988, I bought 2,000 shares in Trillion plc (an independent television production company). As of March 17 1989, this firm had £25m in cash for the sale of Limehouse Studios on Canary Wharf in east London.

I have been in touch with the industry regulatory bodies Finmira and Latro but it appears Trillion plc was not a member of either.

I bought the shares through a firm in Norfolk which was a Finmira member but left on May 14 1992. I learnt only recently that it should have told me Trillion plc was not registered with any back-up organisation and that I risked losing all my investment if Trillion go out of business.

It did not give me this information, however. Is there any action I can take to recover my money?

■ Huge debts forced Trillion into receivership in December 1992 and we regret that your

former shareholding is worthless. To advise you on whether you have any ground for action against the Norfolk firm, we would need to know the nature of your relationship with it.

If you were asking it merely to act as an execution-only broker, then your investment in Trillion can only be written off as a bad loss.

If, on the other hand, it had a specific discretionary investment management agreement

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by the editor at his discretion.

with you, and specifically disobeyed instructions not to invest in such small companies, then you might well have a right of action.

Unfortunately, Trillion was a sad example of a small company not surviving in tough industrial conditions. (Answer by Murray Johnstone)

Paying tax on share sales

Do you have to pay tax when selling shares. I am a non-taxpayer.

■ You have to pay CGT only if your total capital gains (after indexation relief) amount to more than £5,300 in 1994/95. As you are a non-taxpayer, the next £1,000 of capital gains beyond £5,300 would be taxed at 20 per cent; the next £20,700 at 25 per cent; and the rest at 40 per cent.

Feedback

From C. Vizier
I was particularly interested in your article on unit trust charges on May 14/15. Might I draw attention to two situations where there could be losses in value for investors related to bid/offer spreads, in cases where managers decide the timing of purchases and/or sales.

In the first case, it is possible for the individual investor to detect what is happening, and perhaps even to reduce the impact. I am not sure if one could establish the facts in the second case. I hope it does not happen.

Regular monthly savings in a unit trust: When operating a regular monthly savings scheme, the managers may fix a few day(s) in the month when they buy units for the regular saver.

On such days, purchases normally will outweigh re-purchases, in which case the fund may move to an offer valuation.

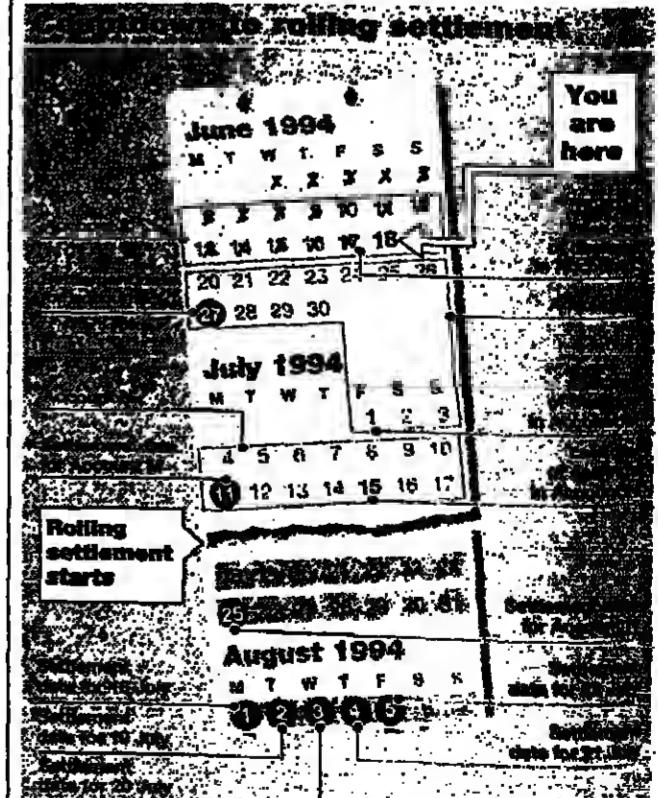
Naturally, sales of units will, in general, be on other days,

probably with a bid valuation. This practice effectively increases the bid/offer spread - in one case that I know, from 5.3 per cent to 8.6 per cent. The difference would normally be less.

Managed fund of in-house unit trust: For a fund consisting of in-house unit trusts, it would not be surprising to find that when the fund sells units of one of the unit trusts in the fund, the re-purchases for that unit trust, for that day, out-weight purchases; and the reverse when the fund buys that unit trust.

If that spread for the unit trust moves to the bottom of the permitted range in the first case, and to the top in the second, then the spread effectively is increased. With active management, the impact could be significant, even when no initial charges exist (or when those that do exist are rebated).

C. Vince
10 Keepers Wood
Chichester
West Sussex



There are only two complete account periods left until rolling settlement - the new system of settling payment for buying and selling shares - begins on July 18.

The stock exchange divides the year into account periods named by letters of the alphabet. Yesterday was the last day for dealings in account period L and a bill for the net amount for all trades conducted in the period, which began on June 6, has to be settled on June 27. This allows investors who dealt early in the account op

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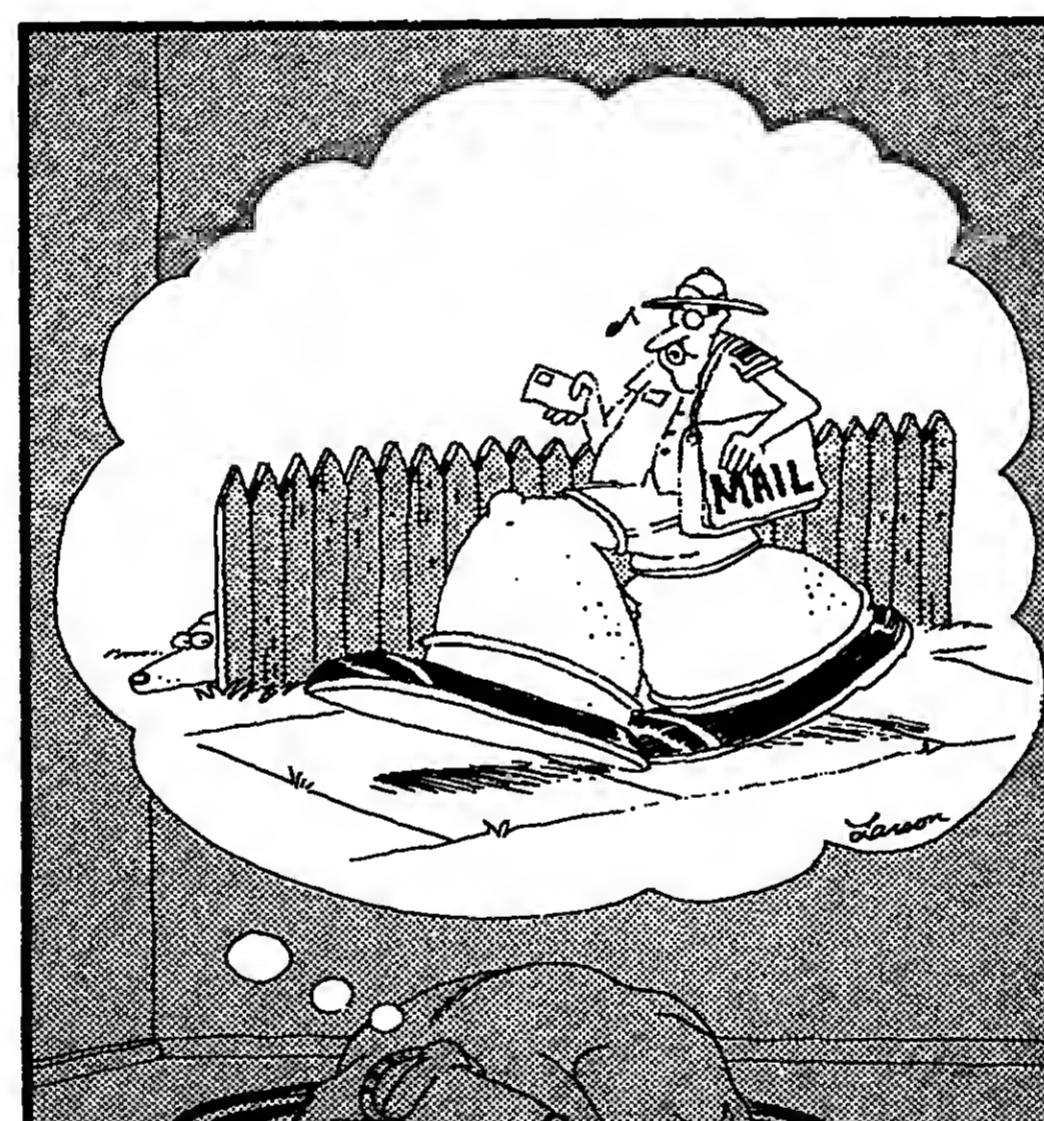
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If you do, please quote your Account Number: _____

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NATIONAL SAVINGS
SECURITY HAS NEVER BEEN SO INTERESTING.

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Minding Your Own Business

Thirst for success beats the drought

Clive Fewins on a company's recovery

One dry, hot day in June 1976, Nick Handover and his wife Pamela, plus 16 staff, began on a contract to clean the stone of 42 buildings in Bath, Avon. By the next day the project was dead.

"It was the time of the national drought. We were told in the evening that our task was not an essential use for water and must cease. After eight years hard slog we had developed a system, acceptable to the conservation lobby, for the pressure water cleaning of soft stone and were turning over a healthy £500,000," Handover said. "The next morning the company was effectively finished."

A pick-up truck and trailer, emblazoned with "Drain Brain", the name Handover had given his company, was permitted to continue essential local authority work. This left the workforce doing very little for 2½ months until he opted for voluntary liquidation.

"Water has been my way of life for 26 years. I love the stuff – even revolting dirty water – but it was water, or the lack of it, that finished off my first venture," said the 52-year-old English-educated South African.

"My big mistake, after the Bath episode, was being loyal to the workforce and keeping them on. It eventually meant we had to sell our house and buy a much cheaper one and I owed my creditors £27,000."

It took nine years to pay it back but Handover had succeeded in convincing his creditors that they would be better off if they allowed him to continue trading rather than forcing him into compulsory liquidation.

"We put our heads down and kept going. It was drain cleaning pure and simple – two of us carrying out an essential service all over the west of England, performing a task nobody liked doing," he said.

Dispatches/Kieran Cooke
Upriver in Sarawak

The headman wanted a transition. "It's the eyes. Just watch. She never blinks." Satellite TV is illegal in Malaysia. But the more remote you are the more the outside world intrudes.

Here, in the centre of Borneo, sitting in a tribal longhouse with shrunken heads hanging on the wall, surrounded by dense jungle, headman Long Lihau and I watch American TV news.

Long Lihau has tattoos on his feet, legs and arms. His mighty ears have big gaps pierced in them. His face is like a collapsed football, wrinkled, toothless and warm. He peers at the screen. "What strange people. Do they take drugs?"

Long Lihau's longhouse is 500km upriver from Sarawak's coast. At Sibu, near Sarawak's coast, I'd climbed on board the *Wah Wah*. It was more a torpedo than a boat. With engines kicking out 700-horsepower the *Wah Wah* sliced its way up the Rejang river for five hours.

An on-board video showed a programme on how to take care of office plants. I tried to read *The Field Book of a Jungle Wallah*, written nearly a century ago by a senior official of the Brookes, the White Rajahs of Borneo. Journeys were more peaceful in those days.

"On a sandy point, a 100 yards or so away, my Chinaman is conjuring back into life last night's fire... around me I hear the cry of awakened beasts. The whistles and calls of many birds, the high treble of insects, many varying voices."

The only sounds I hear are talk of bio-fertil for the potted plants and the roar of *Wah Wah*'s engines. But there had been plenty of excitement along the way.

Journalists are not very welcome in Sarawak. The state leeks too many negative articles have been written about the logging industry and the depiction of the tropical rain forests. Officials here become incensed as foreign environmentalists have taken up the cause of jungle dwellers protesting about the destruction of their homelands.

Outside the hotel in Kuching, Sarawak's capital, there was a whirling of film. A

By 1979 Handover felt things might be improving when Dyno-Rod tried to buy his company name for £12,000. He could have done with the money, but he declined.

In 1982 he was able to move again to a larger home near Cirencester where he could house his four vehicles in the old stables. By 1986 the fleet had grown to 12 vehicles and the company turnover was £1.6m. Two years later it had grown to £1.8m.

Handover explained: "Really, the growth had been much too fast. I didn't have the management expertise to handle this sort of money and I was utterly unsuspecting when a Frenchman rang and asked if he could come and see how our operation worked." He eventually asked if the company was for sale. Handover said no.

The Frenchman returned a few months later, in February 1989, by which time things had changed. "He asked me if I would sell a share to the company he worked for," said Handover. "I said yes. The press seemed to be full of gloom about the impending recession, and we had lost a lot of work from large developers."

In July 1989 Sanitra, the drain cleaning arm of French water company Lyonnaise des Eaux-Dumez, took over 76 per cent of Drain Brain. Handover was given the property he lived in as a gift, as well as a lump sum, and appointed managing director.

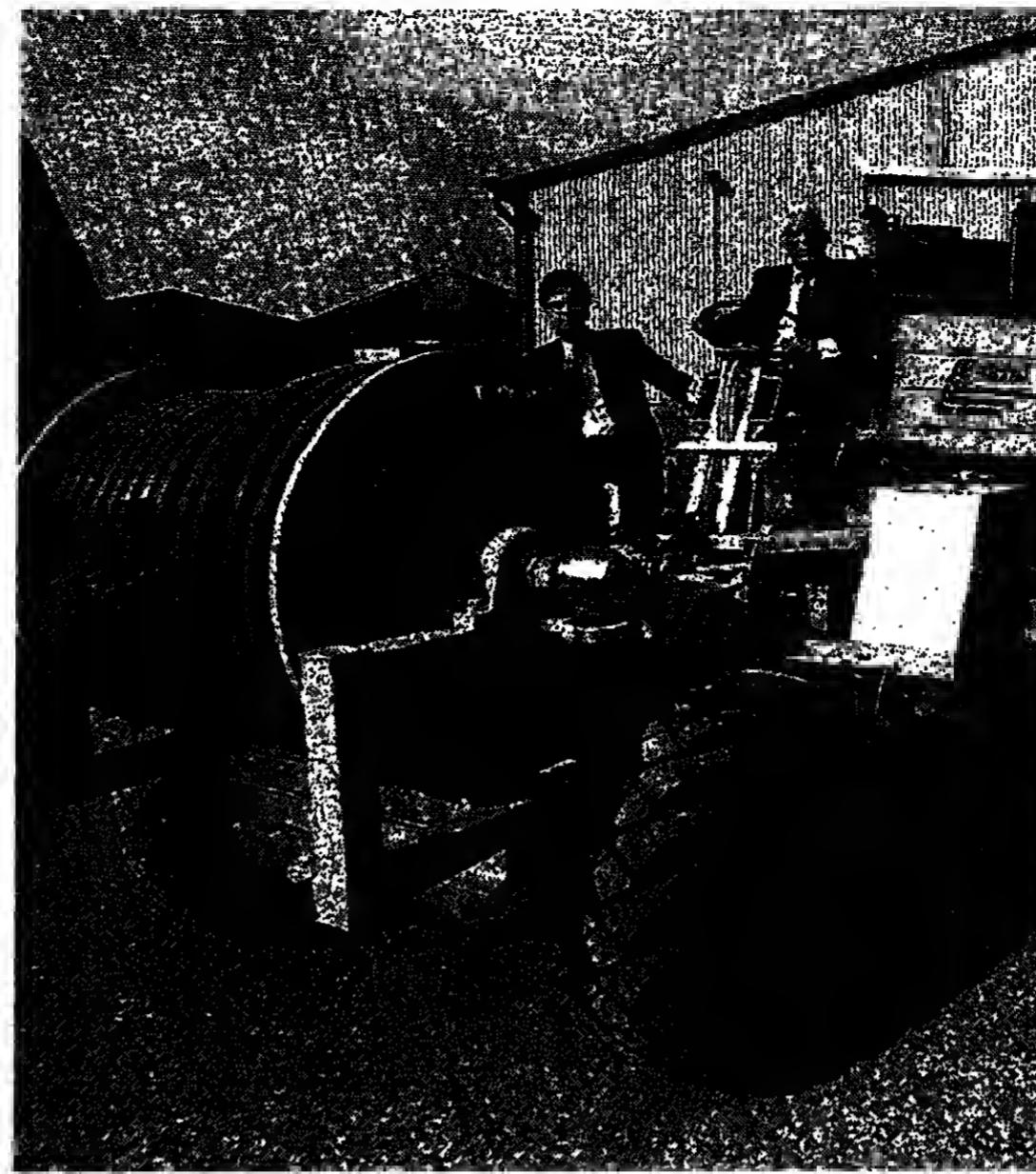
Soon after, he moved the business to a country site and was keen to build a workshop, a store area and offices on the 2½ acres he had leased from a farmer near Abbury, Gloucestershire.

All was fine at first. Handover got on well with his new colleagues and Sanitra willingly financed the £400,000 building project. However, they were unhappy at the lengthy British planning processes, and especially at the attitude of a neighbour who objected to the development.

By 1992 the French had provided more than £1m for buildings and equipment, but turnover had dropped from £1.8m to £1.7m. By the time the recession took hold the books were showing a loss – minimal in 1990/91 but £200,000 the following year.

The French switched management and imposed financial restraints. "It got very fraught," he said. "I couldn't stand either of the two new key men."

Eventually, it was Handover who stayed and the French who left, an outcome largely due to the arrival of 27-year-old manager Matthew Byrne. He had worked for Shell for



Matthew Byrne and Nick Handover: practical experience dovetailed with efficiency and business sense

As They Say in Europe/James Morgan

Free votes in an ideal election

For those interested in Europe or elections, European elections are a dead loss. There is no meaningful result and people "don't know what they are voting for". For the political philosopher, however, they are a goldmine. The cryptic cartoon in *Le Parisien* Monday showed a book written by Rousseau and other sages entitled "All elections are general". The *International Herald Tribune* said all elections were local.

In fact, the European poll provided the platonic ideal of an election. How would you vote if you were not constrained by fears of the result? How would you vote if greed and self-interest played no role and your sole aim was to reward virtue and punish vice?

Thus the British were able to do what they told the country's credulous opinion pollsters they would do in 1982. They voted for the party that promised more money for the National Health Service, and against the government. The Dutch voted for the party they chucked out last month because it wanted to cut the country's bloated welfare services.

The Germans, unimaginatively, used the occasion to vote as they always do: the Italians to express their faith in their new *Duce* and his "post fascist" hangers on. The Spanish showed that they really disapprove of corruption and the Belgians chose their esoteric mosaic of parties which ensures every government in Brussels is the same.

As usual the British, modestly, and the French, spectacularly, provided the drama. The French, however, took most advantage of the unusual opportunities offered by Euro-voting. As *Liberation* remarked: "The European elections are always more exciting after the vote than before." There was huge support for symbolic candidates, thus Philippe de Villiers and Sir James Goldsmith gained an eighth of the vote for their anti-Brussels, anti-free trade campaign which suggested that peace, prosperity and full employment would reign again in France once prohibitive tariffs were placed on imports of Indonesian underpants.

■ *Drain Brain, Meadowlands, Bury, Cirencester, Glos GL7 5LZ. Tel: 0285 705822.*

■ *James Morgan is economics correspondent of the BBC World Service*

five years and was headquartered by Byrne and was headquartered by Sanitra, who saw him as the saviour of their English operation.

"I think they thought that with my arrival Nick would give up and go," said Byrne. Handover's practical experience dovetailed with Byrne's efficiency and business sense.

After a dreadful 1992, in which the company lost £200,000, business started to pick up, helped by the North Sea work that Drain Brain, or DB Industrial as the company is known offshore, won because of the equipment bought with Sanitra capital.

At the beginning of 1993 – the year DB Industrial went into profit again – Sanitra pulled out. Handover and Byrne bought the company as joint managing directors in March last year. They each put up £20,000 of their own money and the total company debt of £400,000 was met by a £75,000 loan from the Rural Development Commission, £30,000 from Credit Lyonnais, £35,000 (interest free) from Sanitra, and £200,000 set against current debtors. The rest is secured by a bank overdraft.

"It was a phenomenal deal," said Handover. "It was probably silly to get involved with the French, but in a funny sort of way they saw us through the recession."

■ *Drain Brain, Meadowlands, Bury, Cirencester, Glos GL7 5LZ. Tel: 0285 705822.*

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SPORT: WORLD CUP '94

There is no part of the world, it seems, untouched by World Cup madness and the financial leverage such madness brings, reports Nicholas Woodsworth from Reine.

Earlier this week, north of the Arctic Circle, in Norway's Lofoten Islands, the villagers of Reine received a nasty surprise. Just days before Norway was to play its first World Cup Group E match - against Mexico, tomorrow, Norway's first World Cup match in 56

years - NRK, the Norwegian national television network, went on strike.

Down by the docks, in the Gammelbu bar and restaurant, there have not been such rumbplings since the introduction of the EU cod quota.

"The timing of this strike is no mistake. The last time NRK did this was the World Cup in Italy; we had no sound until the semi-final.

for this year's World Cup finals. "It is absolutely disgusting," said Bent Henriksen. Like most villagers here, Henriksen owes his addiction to soccer to the six-month-long arctic night.

The Reine junior team have to dig their pitch out of the snow in May. In Bodø, 3½ hours away by boat, the grass in the municipal stadium

grows only because of electrically heated cables beneath the sod. The Bodø team hold the Norwegian First Division Cup.

No mere strike, then, is going to stop Reine from watching World Cup action, in case NRK's pictures do not arrive, the Gammelbu bar and restaurant has sent off an order to the mainland for the

express delivery of a large screen and satellite dish to receive German television.

If that happens, there will be little wrath or cheer in the midnight sun of Reine this summer.

• The team doctor said that as things stand now, all 22 of Norway's players should be in shape for their opening game, despite an injury scare after midfielder Oyvind Leonhardsen injured his right knee in training on Thursday.

even stand a chance against Italy next Thursday. The real fear, though, is that the satellite dish will not arrive on time.

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• The team doctor said that as things stand now, all 22 of Norway's players should be in shape for their opening game, despite an injury scare after midfielder Oyvind Leonhardsen injured his right knee in training on Thursday.

Norwegians suffer blackout amid arctic night

Stage ready for stars to shine

Peter Berlin in New York
wonders which of the world's great players will dominate the finals

 Among the tantalising prospects of the World Cup finals is the debut on a US stage next Tuesday of an unlikely character: Diego Maradona, missionary.

North American newspapers and magazines have been packed with handy guides to the soccer basics. Often, these previews were decorated with pictures of Argentina's Maradona scoring by punching the ball over England's earth-bound goalkeeper Peter Shilton in the 1990 World Cup - helped, claimed the cheeky Argentine star, by the Hand of God.

In the US, partly for the wrong reasons, Maradona is the world's best-known soccer player. Over the next four weeks, therefore, it is up to him to spread the faith among the unbelievers - starting (if he is picked) in Tuesday's match against Greece in Boston.

As ever, the World Cup finals will provide an important measure of world soccer's health. They may also reveal something about the US. Is it closer culturally to its neighbours in South America, or to western Europe? Players and fans, superstitious as ever, are fretting for an answer.

Western European teams have won seven of the eight World Cups held in western Europe but none of the six held in South America. When the trophy is hoisted into the air in Los Angeles on July 17, we will know whether it is easier to vault the Rio Grande than the Atlantic.

In the last 20 years, South American World Cups have been better than those in Europe. The 1970 competition in Mexico drew its tone from the dazzling victors, Brazil, Argentina, the hosts, won with attacking play in 1978.

Mexico, in 1986, was adored by France, Denmark, the USSR, Brazil - and Argentina's Maradona at his peak.

In Italy four years ago the style was set by the first and last matches, both of which produced more sendings-off than goals and in both of which defensive muscle triumphed over attacking skill.

Cameroon, who won the opening

match, and Argentina, who lost it, were the successes of the competition. More talented teams could not beat them. They were only undone by the number of players penalised by red and yellow cards.

But Latin American World Cups are not always good. It might simply be that recent World Cups in South America have coincided with richer-than-usual crops of that most easily damaged commodity: the soccer star.

In 1990, the tournament was almost devoid of new stars. This time, things could be much better. Alfio Basile, the Argentina coach, says that Maradona - who has scored almost as many goals for his country as his team-mates combined - is in good form. This could be a bluff. But even if Maradona is a useful psychological weapon, as he showed in Italy, and could be a decoy for Argentina's fresh attacking talent.

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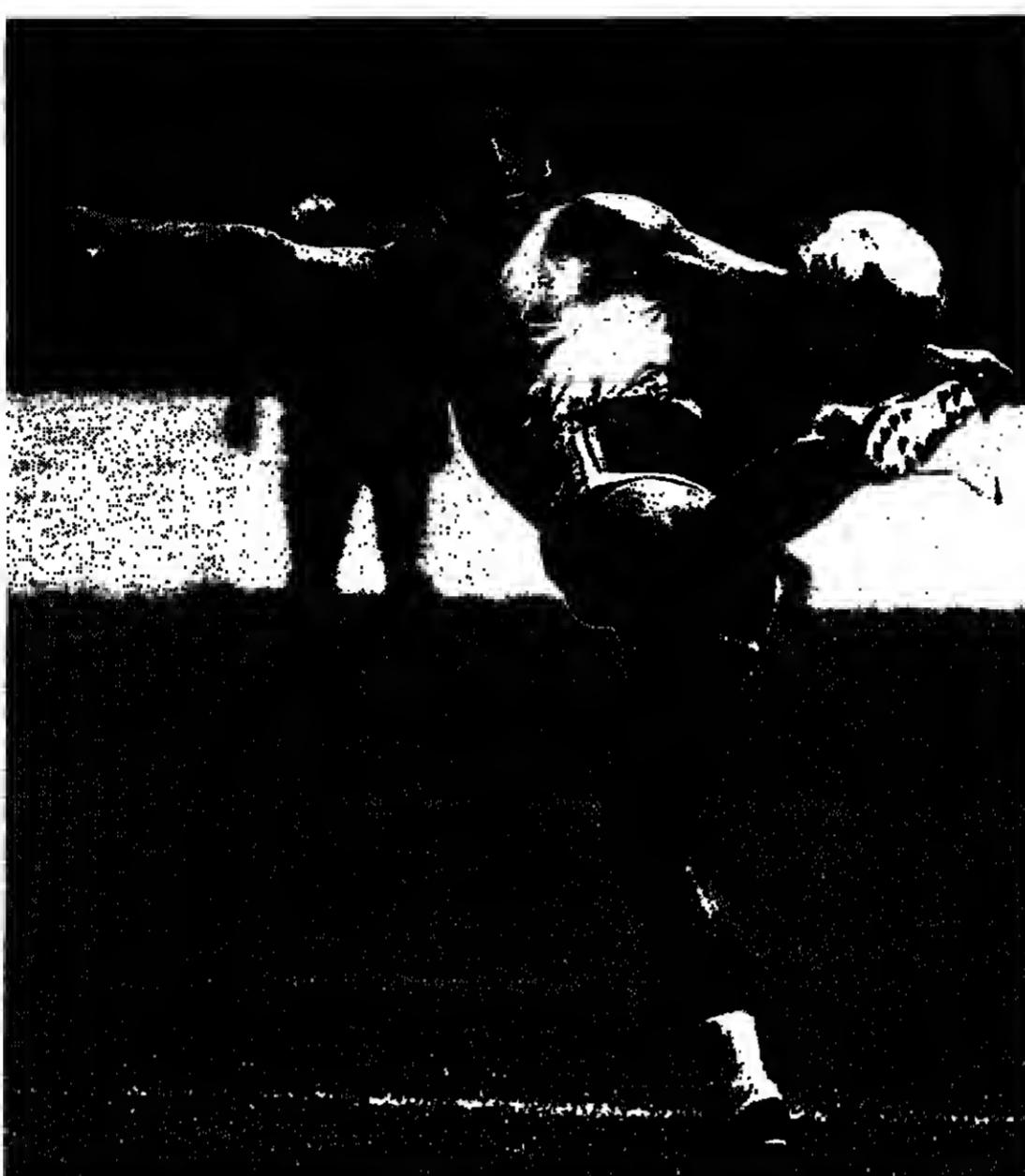
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Cameroon, who won the opening



For Argentina, success in the finals will depend largely on the form of prodigal genius Diego Maradona. PICTURE AP

has the explosive Faustino Asprilla to pass to.

Asprilla is one of a crop of bad-tempered strikers who will catch the eye one way or another in the US. Others include the Barcelona team-mates Romario of Brazil and Hristo Stoichkov of Bulgaria.

If the Dutch are to match the glories of their past, Dennis Bergkamp will need to rediscover his best form. And, whatever Basile says

about Maradona, Argentina's best hopes rest on the striking power of Gabriel Batistuta and the sinewy mid-field play of Fernando Redondo.

Almost every team has potential stars. The question is whether they will be given a chance to shine. Four years ago, intimidating defenders generally held the upper hand over attackers - although, as Cameroon demonstrated, there is no reason why a team cannot defend

thuggishly and attack artistically.

Anyone who still cherishes illusions about the innocence of Cameroonian tactics should avert their gaze when they play Brazil in San Francisco next Friday. That match should indicate the direction of these World Cup finals. If the Brazilians are able to play at their best, it is difficult to imagine how American sports fans could fail to be captivated.

A global game for a global market

Corporate America has a long history of pouring millions of dollars into professional sports, either through direct sponsorship, television advertising or marketing deals. As a result, when the US won the right to stage soccer's 1994 World Cup, there were plenty of big companies eager to sign up as sponsors of the event.

The fact that the World Cup is a tournament of soccer, a game with an extremely low profile in the US and largely absent from its TV sets, mattered little to American companies, because the event was never expected to draw a particularly large or enthusiastic domestic audience.

Instead, the event's lure was the opportunity for US companies to win exposure to the vast global audience expected to follow every pass, tackle and goal of the month-long competition. For corporate America, World Cup football offered

the chance to reach the parts that mainstream US team sports - baseball, basketball, ice hockey and American football - rarely reach: South America, Europe, Africa and the far east.

It was access to this football world beyond the US that persuaded seven US companies to spend a reported \$20m on official sponsorship rights to World Cup '94. They were: Coca-Cola, General Motors, Gillette, MasterCard, McDonald's, M&M Mars and the battery maker Energizer (owned by Ralston Purina).

For US companies with extensive business interests in many overseas markets, the potential worldwide TV audience was the chief attraction. The largest audience ever generated by the Super Bowl of American sports, is 750m people. In contrast, more than 200 people watched the soccer World Cup final in Rome four years ago. In 1990, the

53 games in Italy drew a cumulative audience of more than 30bn. That is a lot of car owners and hamburger eaters.

Aside from the official sponsors, another seven US companies (American Airlines, Budweiser, Electronic Data Systems, ITT Sheraton, Sprint,

have paid the international and US football authorities at least \$250m in fees to earn the right to associate their products with the World Cup.

Although soccer is a minor professional sport in the US, several of the sponsors for this year's event are not new to the World Cup. Gillette's involvement with the tournament dates back to 1970. Coca-Cola has been a World Cup sponsor since 1978, and General Motors was involved with the tournament in Mexico in 1986.

For sponsors like these, the diversity of the global audience is at the core of the World Cup's appeal, whether the event is being held in the US, Europe or South America.

General Motors, for example, plans to advertise its cars and trucks on advertising boards placed around the pitches, but the boards will display different makes and models of GM vehicles according to which teams are playing in which game.

In a game featuring Germany, for example, GM will use its boards to sell Opel, its chief European brand. When Brazil or Mexico are playing, the boards will display the name of Chevrolet, GM's Latin American brand.

McDonald's - which sells an identical product the world over - plans to treat viewers in Norway, Greece, Nigeria, South Korea and Colombia as a single market by broadcasting the same commercial - identical everywhere save for the language of the voiceover.

As for sports-loving Americans who normally show little interest in professional soccer, the tournament's sponsors are hoping that promotional events in local markets where the games are being played - combined with media coverage and the excitement generated by the presence of a huge international sporting event - will help to pique the interest of even the most dedicated baseball fan.

III Remaining first-round schedule

The top two sides from each group, plus the next four best performers overall, qualify for the second round, July 2-5.

Group A Brazil, Russia, Germany, Argentina, Italy, Greece, Ireland, Morocco, Romania, Sweden, S. Korea, Bulgaria, Nigeria, Mexico, Norway, Holland, Saudi Arabia

Group B US, Switzerland, Italy vs Ireland, Colombia vs Romania

Group C France, Spain, Portugal, England, Scotland, Costa Rica, Uruguay, Paraguay, Chile, Argentina, Venezuela, Mexico, Peru, Costa Rica

Group D US vs Switzerland, Italy vs Sweden, France vs Costa Rica, Spain vs Paraguay

Group E US vs Mexico, France vs Costa Rica, Spain vs Mexico, Italy vs Costa Rica

Group F US vs Saudi Arabia, France vs Mexico, Spain vs Costa Rica, Italy vs Saudi Arabia

Date **Group** **Venue** **Time*** **Match**

Today A Detroit 4.30pm US vs Switzerland

E New York 8.00pm Italy vs Ireland

A Los Angeles 12.30pm Colombia vs Romania

Tomorrow F Orlando 5.30pm Belgium vs Morocco

C Washington 9.00pm Norway vs Mexico

B Los Angeles 12.30pm Cameroon vs Sweden

Mon 20/6 B San Francisco 9.00pm Brazil vs Russia

F Washington 12.30pm Holland vs S. Africa

Tues 21/6 O Boston 5.30pm Argentina vs Greece

C Chicago 8.00pm Germany vs Spain

D Dallas 12.30pm Nigeria vs Bulgaria

Wed 22/6 A Detroit 9.00pm Romania vs Switzerland

A Los Angeles 12.30pm US vs Colombia

Thur 23/6 E New York 9.00pm Italy vs Norway

C Boston 12.30pm S. Korea vs Bulgaria

F Orlando 5.30pm Mexico vs Ireland

C San Francisco 8.00pm Brazil vs Cameroon

A Detroit 12.30pm Sweden vs Russia

Sat 24/6 F Orlando 5.30pm Bulgaria vs Holland

E New York 8.00pm S. Africa vs Morocco

O Boston 12.30pm Argentina vs Nigeria

Sun 25/6 O Chicago 5.30pm Bulgaria vs Greece

A Los Angeles 8.00pm US vs Romania

A San Francisco 8.00pm Switzerland vs Colombia

Mon 27/6 C Chicago 9.00pm Bulgaria vs Spain

D Dallas 12.30pm Germany vs S. Korea

Tues 28/6 E New York 5.30pm Ireland vs Norway

B San Francisco 8.00pm Italy vs Mexico

A San Francisco 8.00pm Brazil vs Cameroon

A Detroit 9.00pm Brazil vs Sweden

Wed 29/6 F Orlando 5.30pm Morocco vs Holland

O Washington 8.00pm Belgium vs S. Africa

Thurs 30/6 D Boston 12.30pm Greece vs Nigeria

O Dallas 12.30pm Argentina vs Bulgaria

*British Summer Time

The quarter-finals will be played on the weekend of July 8-10. In Boston, Dallas, New York and San Francisco; the semi's on Wednesday, July 13 (New York and Los Angeles); and the final on Sunday, July 17 (Los Angeles).

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SPORT

Tennis

Kind route beckons Sampras

John Barrett discusses the Wimbledon seedings

Among the men at least, the 108th Championship meeting provides an intriguing mixture of certainty and speculation. Defending champion and world No 1, Pete Sampras, is certain to start an overwhelming favourite.

The 22-year-old American has lost only five of his 54 matches in 1994 and has won seven tournaments, more than twice as many as anyone else. Yet the weight of history is against him.

Only eight times since the arrival of open tennis in 1968 has the men's top seed at Wimbledon won the title and in the last 13 years it has only happened twice. Furthermore, defending a title successfully has proved surprisingly difficult.

In the 48 years since the war the only men to have achieved that feat are Lew Hoad (1956-7), Roy Emerson (1964-5), Rod Laver (1961-2, 1968-9), John Newcombe (1970-1), Bjorn Borg (1976-80), John McEnroe (1983-4) and Boris Becker.

Sampras should win. He has proved himself to be the best player on fast surfaces and since teaming up with coach Tim Gullikson two years ago he has matured as a match player. Yet no-one is sure how he will be affected by his two latest losses.

When Jim Courier beat him in Paris three weeks ago, to prevent him from holding all four major titles at the same time, Sampras was strangely inhibited. He never fully committed himself to an all-out attack. This, just two weeks after destroying the field in Rome.

It was the same last week at Queen's Club. Although fellow American Todd Martin did serve particularly well, there was a worrying lack of urgency about Sampras' performance. Perhaps, all along, the champion was simply pacing himself, conscious of the need to preserve his best form for the coming two weeks.

The draw has been kind. Sampras starts against his neighbour in Florida, Jared Palmer, and has as his prospective third round opponent Yevgeny Kafelnikov. The promising young Russian was within two points of beating Sampras in Australia.

Sergi Bruguera, winner for the second year in Paris, is cast as his quarter-final opponent but the Spaniard has not played at Wimbledon since 1990 when he lost in the second round and may not reach his appointed place. The only reason Sergi has entered this time is to get some match play on grass before Spain's Davis Cup tie against the Germans at the new grass court centre in Halle on July 15-17.

There are three men who might face Sampras in the semi-finals, the two former champions Stefan Edberg (1988, 1990) and Andre Agassi (1992), plus Marin. Edberg (seeded 3), is going through another bout of double-faults and has No 14 seed Marc Rosset, as well as dangerous footer Wayne Ferreira, in his section. He may not survive.

Agassi is as enigmatic as ever and lacks match play. Yet that has been true for the last three years during which period he has won the title once and twice reached the last eight. It will be fascinating to

see whether the unpredictable Andre has retained Brad Gilbert as his coach. I believe Gilbert's methodical approach denies Agassi the spontaneity on which he thrives.

The lower half is equally interesting. After what Courier achieved last year, who is to say he could not go one better this time? Petr Korda is one who might, or rather should. But the Wimbledon form of this big-serving Czech left-hander has been consistently disappointing. Last year's advance to the fourth round is his best effort to date. Perhaps he will surprise us this time.

Another left-hander with a lethal serve could be Courier's next opponent. But Goran Ivanisevic, who so nearly won the title in that dramatic final against Agassi, is nothing if not unpredictable. Do not bank on him.

In the lowest quarter the two former champions from Germany, Boris Becker and Michael Stich, are cast as quarter-final opponents, as they were last year when they produced a gem of a match, won in five marvellous sets by Becker. Let us hope we are as lucky again.

However, Stich has the most

Richard Krajicek, fully recovered from injury, could beat anyone

dangerous floater of all in his section. The tall Dutchman, Richard Krajicek, fully recovered from injury, has just won on grass in Rosmalen and could beat anyone, as he has proved on a number of occasions. Martin (6) is in a different category. A master player, he is a delightfully normal, well-balanced individual who was a finalist in Australia last January. He loves the grass courts and last year beat Ivanisevic and Wheaton before going down to Courier.

He will be better this time and his potential meeting with Agassi in the fourth round is a mouth-watering match indeed. Indeed a title is Steffi Graf. Just 25, the German is at the peak of her considerable powers. Steffi has won the title in five of the last six years and on a surface where no-one else excels she should have something in hand. Yet, as we saw in Paris, the unexpected does occur.

Mary Pierce is not likely to repeat that upset. For a start, in her second tournament on grass, she lost to a 15-year-old Czech, Ludmilla Varnava, this week in the under-21 event at Eastbourne. Then her first opponent is Julie Helderman of France, who has played well on grass.

In the lower half Arantxa Sanchez Vicario, the only other player who has beaten Graf this year, has a difficult first match against the middle of the three Maleeva sisters, Katerina. Then it should be plain sailing to the semis and a meeting with nine-times champion Martina Navratilova. In her last appearance, the 37-year-old Czech-born American will be an emotional footer whenever it occurs.

After seeing her loss to Martina McGraw at Eastbourne this week, I fear it might be someone other than Vicario who will end the era.

At its highest level, horse racing is an amalgam of glamour, money, hope, elation and despair, with some madness thrown in. To succeed, you have to be rich, tough, lucky and fanatically determined: four of the qualities that have made Englishman Robert Sangster one of the world's most successful breeders and owners of racehorses this century.

He has made a flying start to the 1994 European racing season. Already, nine horses owned or bred by Sangster have won or been placed in European classic races. However, at Royal Ascot this week he was right out of luck.

He calls himself a horse trader. He jets far and wide from his tax-friendly Isle of Man base, supervising a bloodstock empire that stretches almost to the South Pole.

I asked this 59-year-old about his workload. "Well," he said, "in March I travelled on 20 different aeroplanes. I was in Dubai, Ireland, New Zealand and the US, where I travelled extensively."

"So you're tough?"

"I guess I am. I saw the doctor this morning, and was given a clean bill of health."

"How about stress? What is it like to watch a horse you own on the brink of victory, or of a photo-finish defeat, in a top race like the English Derby or France's Prix de l'Arc de Triomphe?"

I asked this because I knew that in June 1977, when The Minstrel, owned by Sangster and some partners, was bullied by jockey Lester Piggott in the English Derby to win by a neck in a savage dramatic finish, Sangster and his trainer, Vincent O'Brien, had been reduced to jelly. In the years since, Sangster must have watched hundreds of pulsating finishes in which much was at stake.

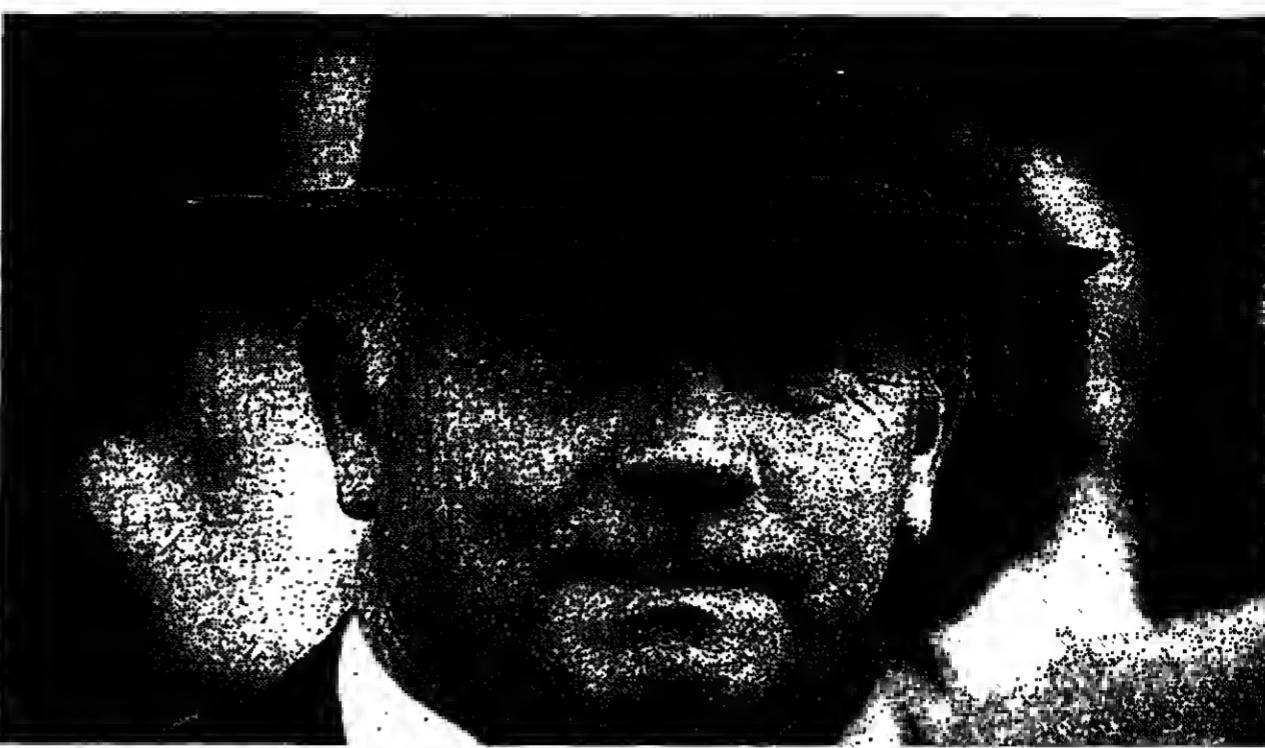
"Yes, it can be stressful," he replied. "At this year's Epsom Derby I was watching a TV screen as my horse, Colonel Collins, made his finishing burst, and someone slammed me on the back and shouted: 'Robert, you've done it!' By the time I'd picked my bluclars up, Erzah (the 2-1 favourite) had charged past my horse and won. Yes... something like that raises the old blood pressure." (Colonel Collins finished third.)

I agreed. We chatted. Then we joined the all-male group that had gathered to enjoy lunch (crab, fish, raspberries) at Domaine Ott's expense. It was an amusing, powerful group. All were rich and sporty. Many owned racehorses. One of them at our table was a young Tory minister from the House of Lords. "Yes, my lord," the waiter kept saying. "Yes, my lord."

I could not work out what the group was for, so I asked one of its members, a City businessman. I said: "What is the common denominator?"

And he said: "Piss artists."

In company such as that, Sangster merges decorously into the background. He is off-duty. He could be a bishop. If you passed him in the street



Robert Sangster: merging decorously into the background, he is off-duty itself

inherited Vernoos Pools, a business that takes bets on soccer matches, before selling it to Ladbrooke, and was involved in setting up large-scale lotteries in Australia and New York. He sold Vernoos five years ago because, he says, he heard the authorities were considering a national lottery in Britain. They were: it starts in a few months, and is expected to knock pools-betting for six.

"Yes," he said. "If I go racing I'll have a bet for fun."

"What, to you, is a big bet?"

"A monkey: £500."

"You're successful?"

"I show a profit once in three years. I could make a profit every year, but I'd be very boring about it. I would probably only have five bets in the year, and only two would win, but I would show a great profit."

The speculative madness that infects the racing game in cycles can be gauged from the roller-coaster fluctuations in bloodstock prices, whether for yearlings sold at auction or for stallions being floated on the international market.

For instance, in 1984-5, when the racehorse market was in frenzy, Sangster's bloodstock empire was estimated, by accountants, to have been worth almost \$350m. By 1992, values had crashed, and Sangster's empire had shrunk in value to \$160m or so.

Values are recovering now. I asked the master horse-trader how his fortunes stood.

"It's difficult," he said. "Until you come to sell something - a horse or a painting - you don't know what it is worth. But the whole bloodstock industry today is reckoned to be worth a quarter of what it was worth in the early 1980s. In 1992, after an intense campaign to extract maximum value for him, I sold one of my horses, Rodrigo de Triano, to Japan for \$6m, whereas 10 years previously I had sold Assert, a fairly similar sort - similar breeding, the same sort of racehorse - to Kentucky for \$24m."

"If I was selling Rodrigo today, he'd probably be worth \$10m. In the early 1980s, 50 yearlings would have been sold at international auction for \$1m plus each. Today, it is only eight or nine."

As a horse-trader, one of Sangster's attributes is memory-power. Others: shrewdness and competitiveness. And he still studies hard: still pores over racehorse pedigrees and other data.

If you were interested in the glam-mad world of international racing, you would be delighted by his company. If you knew nothing about racing, his stories would make your eyes pop.

Lunch with the FT

Trading his way to the winner's enclosure

Michael Thompson-Noel meets horse racing's Robert Sangster

Jermyn Street. We could talk for an hour, then join a lunch being held to celebrate the wines of Domaine Ott. Sangster has a house in that part of southern France.

I agreed. We chatted. Then we joined the all-male group that had gathered to enjoy lunch (crab, fish, raspberries) at Domaine Ott's expense. It was an amusing, powerful group. All were rich and sporty. Many owned racehorses. One of them at our table was a young Tory minister from the House of Lords.

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share to change hands did for £500,000, says Sangster.

"You're a dealer," I said. "You buy and sell. Suppose I had £1m to spend. What would you sell me?"

The horse-trader smiled. He briefly paused to think. "All right," he said. "At this point in the English season [June 9] I've had three two-year-old runners, and all three won their first races impressively. For £1m, I would probably advise you to take a one-third stake in

each of them."

"Would that be good for you? You'd show a decent profit?"

"I would."

"Would it be good for me?"

"It would. There is a chance, I'd say, that one of them will win a classic; that the second will fare extremely well; and that the third - well, that might bang a knee tomorrow and never be heard from again. But at £1m for the three, you'd be all right. As the vendor, I'd want you to come back - to do business with me again. You'd be better off buying a £333,333 stake in those three than spending £1m at the sales in Kentucky."

"I'm not going far in racing. All three of these creatures are at Royal Ascot, and none won, though Helmains was only narrowly beaten. One of them, General Monash, was injured."

"Do you bet?" I asked Sangster.

He was born to wealth, and is an expert on betting. He

Golf/Derek Lawrenson

Rivals become partners



It is as if Jack Nicklaus (left) cannot bear the thought of turning up at a major championship at which there is no Arnold Palmer

aspect of it. Palmer has already given up visiting Britain to play in the Open championship, and at Oakmont, Pennsylvania, on the eve of the US Open, he announced that this would also be his last appearance in the second of golf's four majors.

It is an appropriate place at which to take his leave. It was in 1942 that Harry Saxon decided that the 12-year-old Palmer, who was born just 10 miles away at Latrobe, had already acquired enough golfing skills to experience the glories of Oakmont.

Palmer was the sport's Elvis Presley; he introduced an element of dare and panache.

Palmer respected all the game's codes and discipline but he tore up the unwritten laws about playing sensibly and carefully. Peter Thomson

By 1952, with Oakmont in the process of being split by the Philadelphia turnpike, then under construction - seven holes on one side of the road and 11 on the other - Palmer had already begun building bridges between the traditional game of golf and the modern.

Palmer was the sport's Elvis Presley; he introduced an element of dare and panache.

Palmer respected all the game's codes and discipline but he tore up the unwritten laws about playing sensibly and carefully. Peter Thomson

won one of his five Open titles by never using a driver of the

kind when his ball finished 40ft from the flag.

Such an idea was anathema to Palmer. His idea of the game was to hit the ball as far as possible, find it, and hit it as far as possible again.

Even today, he is a superb driver of the ball. He can still hit it 250 yards. But there are vast areas of Palmer's game which betray the fact he is in his sunset years. His iron play is poor, his chipping mediocre and his putting downright awful.

What he has never lost is his enthusiasm for the sport.

"There are days when I just can't do a damned thing right and that's hard for me to bear. But this game, it's my soul in a way and there will always be something during a round that will give me pleasure and start me back to thinking that I can still play the way I want to play."

At Oakmont on Wednesday, the fact that Palmer did not walk down the centre of the fairways had nothing to do with inaccuracy. He had to talk with his people.

They called him Mr Palmer and they applauded rather too

experienced players against Cambridge. It gives them a first class game in a friendly atmosphere. An early fixture against Cambridge helps us to work up to full power for the season."

Oxford University v Cambridge University is the oldest first-class cricket fixture. First played in 1827, it has traditionally had an air of glamour and panache, like all cricket played by the two universities. This year's match takes place at Lord's on June 29.

Even so, Kim Barnett of Derbyshire was just one of several county captains who mentioned Cambridge and Oxford as good teaching places for county, as well as university, cricket.

But there is a danger that Oxbridge cricket could fall short of first-class cricket, on the road to its own first-class extinction.

It is time Oxford and Cambridge helped their cricketers fight the cause of university cricket. Variety is the spice of life and a variety of cricket is the spice of a first-class sum-

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New lease of life for an old grape variety

Jancis Robinson considers the merits of Malbec when it is grown east of the Andes, in Argentina

If ever there were an argument that every grape variety has its perfect place, then Mendoza Malbec is it. In the rest of the world Malbec is widely grown in Bordeaux, it is now effectively known only in Cahors, where it is called Cot or Anzacros, and generally turns out rather tough, chewy, essentially country wines - in spite of the millions of francs poured into Cahors by well-heeled Parisians and New Yorkers pursuing a vineyard hobby.

In the higher temperatures and richer soils of Mendoza, however, Argentina's main wine-making province just east of the Andes, Malbec seems to luxuriate. The wines it produces are lush, rich, heavily spiced and yet the best of them have enough acid and tannin to make them appetising bets for long term ageing.

Not that Malbec is at all revered in Argentina. It is one of the cheapest red grape varieties, commanding considerably less of a price than the more glamorous Merlot and Caber-

net Sauvignon - perhaps because it sounds less obviously French, especially when spelt Malbec, as it often is in Argentina. And in the vast domestic wine market (about the same size as the entire US), French names enjoy the greatest cachet, no matter how irrelevant.

Carcassonne, for example, is the curious name of a popular blend of Cabernet and Malbec, and its popular sister blend of Malbec, Merlot and Syrah is called Pont l'Eveque, particularly smelly French cheese.

Malbec's ubiquity in Mendoza doubtless militates against its glorification. For long it was the most planted red wine grape (although a vine pull scheme has led to its being overtaken by a grape called Bonarda, which may be the same as California's Charbono).

Paris of Mendoza can be extremely hot, as witness the ancient plane trees which flank so many of the main roads, but Lujan de Cuyo, to the south of Mendoza

city (with Vista Blanca the highest sub-district), seems to offer perfect conditions for Malbec. At an altitude of about 900m (nearly as high as Switzerland's highest vineyard, for example), it can offer suitably cool nights even in late summer.

With unlimited sunshine and unlimited irrigation water from the Andes Mendoza has been one of the world's most productive wine factories since Spaniards and Italians settled here in the late 16th century.

Mendoza's major natural disadvantage is its minute annual rainfall of about 180mm (47in) - 500mm is generally considered a viticultural minimum without irrigation - of which about 150mm falls at harvest time, often in the devastating form of hail. Growers just have to reckon on sacrificing between 10 and 20 per cent of each year's crop.

Raul de la Motta of Weinert, "the small winery producing big wines" from carefully bought-in grapes, has made more than 50 vintages there



and is one of the few Argentines to recognise that Malbec might be the Argentine wine industry's trump card.

"The whole world makes Cabernet, but with Malbec, our wines have distinction. Malbec ages very well here." He can demonstrate the gamey, wild animal smells of young Malbec as well as the mellow, richer characters of Malbec aged for

more years than would be thought wise in France in the giant old oak vats that characterise this wine industry ripe for renovation.

Weinert believes in blending Malbec, which with Cabernet forms about a third of his delicious Cava Weinert blend, exported to the UK and US, and most of the bargain-priced Carrascal for the domestic market.

In neighbouring Agrelo, Moet & Chandon has been experimenting

with ageing Malbec (and Cabernet, and of course Chardonnay) in small French oak barrels, with aromatic, juicy, well structured results. They are launching these new-fangled varietals in Argentina under the name of the winery's first oenologist. Luckily, for marketing reasons, he was called Renaldo Poirier rather than Reg Pratt.

A new Anglo-Saxon name on the Argentine wine map, however, is Peter Bright, the Portuguese-based Australian winemaker who has

Sainsbury's Argentinian Malbec Cabernet is £3.49 and is even fuller than the older blend, replaces next week (other Trapiche wines are available from Trapiche Ideas of Oxford on 0865-791313). A few branches of Sainsbury's also stock Cava de Weinert 1985 at £6.95, but John Armit Wines of London W11 (071-737 6846) has a wider range, including Carrascal 1985, at £9.40 a case. Berkman's Wine Cellars of London N17 (071-609 4711) imports Norton's fine wines, including a small quantity of an extraordinary, recently-bottled Malbec 1982.

Booths supermarket, Butte Wines of Scotland (0700-302730), Christopher James of Exeter (0322-73894), La Vigneronne of London SW1 (071-591 6113) and Mayor Swords of London SE11 (071-735 0385) stock Argentine wines from Navarro de Vista Blanca, Isabel (exported to Switzerland); and Bodega Norton, into which vast sums are being poured by the Swarovski family of Austria. But that is another, extremely promising, story.

Cookery/Philippa Davenport

Count your free-range chickens

Many cooks struck veal and chicken off their menus when details of intensive - often cruel - production methods filtered through to the public. The resulting drop in sales led to farmers making extra efforts to grow meat more kindly and the results are becoming available more widely.

Genuine free-range chickens have been available for some time at good supermarkets and specialist butchers (although, alas, it is increasingly difficult to find a chicken complete with its giblets). More recently, whole free-range chickens have been joined on supermarket shelves by free-range chicken joints - packets of breast, thigh, drumstick or wing meat that are very handy indeed for quick and easy meals.

Veal produced by humane methods is also becoming easier to buy. The Quantock system, a more humane method of raising calves, is a definite step forward from the so-called New British Standard method and the intensive crate system. Fully free-range veal is rarer than the Quantock variety - but it is preferable and worth asking for. This is the meat of calves raised with their mothers and slaughtered at the weaning stage, rather than grown on as beef cattle.

Unlike intensively reared veal, which is anaemically white and fine-textured but almost tasteless, the free-range meat is a pearl pink and tastes like very mild and sweet young beef.

SCALLOPINE AL BALSAMICO (serves 4)

Veal sauced with Marsala was a favourite entree of the late 1950s and early 1960s, and very good it was, too. I have replaced the fortified wine with balsamic vinegar to give the dish a new lease of life in the 1990s.

Ingredients: 1lb (or just under)

escalopes of veal (or escalopes of pork); 1oz unsalted butter; 3-4 tablespoons balsamic vinegar; 4 tablespoons stock; 3-4 tablespoons thick cream (optional)

Method: Heat a large saute pan until very hot. Add the butter and, when the butter foam dies down,

sauté the veal in batches for 2-3 minutes on each side (or less if the meat has been beaten very thinly). Remove and keep hot.

Add the vinegar and stock to the pan. Scrape and swirl the mixture around, letting it bubble up and blend. Add the cream if using it, season to taste, and continue bubbling briefly to make a smooth, very savoury sauce.

Turn the heat right down. Return the meat to the pan, turning each slice as you add it to coat it with the sauce. When all are in, tip the contents of the pan on to a warmed serving dish. Wilted spinach scattered with toasted pine nuts goes well here.

LEMON TARRAGON CHICKEN WITH COURGETTES (serves 4)

Ingredients: 4 small boned and skinned chicken breasts weighing 3/4-1oz each; 1½lb courgettes; 2oz unsalted butter; 2 tablespoons lemon juice; 2 slightly heaped teaspoons chopped fresh tarragon.

Method: Separate the small fillets from the chicken breasts. Then, slice the main part of each breast in two to make two thinner slices. Cut the courgettes into batons.

Heat a large sauté pan until very hot. Add a little of the butter and, when the butter foam dies down, fry the courgettes until streaked with gold and just cooked through. Remove and keep hot.

Add a little more butter to the pan and sauté the chicken a few slices at a time until glazed without and tender within. Remove and keep hot.

Add the rest of the butter, the lemon juice and a teaspoon or two of water to the pan. Scrape, swirl, let the mixture bubble up, and season with salt, pepper and tarragon.

Turn off the heat but leave the pan where it is. Slip the chicken quickly into the pan and turn the slices to coat them with the fragrant, buttery juices.

Lay the meat on a warmed serving dish, tip the courgettes into the pan, and toss to coat them with the remains of the sauce. Arrange the vegetables alongside the chicken and serve with new potatoes or basmati rice.

Method: Heat a large sauté pan until very hot. Add the butter and, when the butter foam dies down,



Battery bird: kindly cooks should seek out free-range chickens

Wine auction nets £1.4m

A cellar of some of the world's finest wines was auctioned in London this week for a total of £1.4m. It took place at Christie's on

Thursday and, with the auctioneers holding 320 different commission bids before the first of the three auctions started, bidding was always likely to exceed the already high reserves. Prices for the younger wines were considerably in excess of current retail levels.

Most wines were bought by private buyers with representatives of the American, Swiss, German, French and Hong Kong wine trade

flying in and out, some employ-hands. A leading British wine merchant, prepared to spend up to £500,000, came away with two cases and calculated that the British wine trade bought less than 1 per cent.

A private British bidder spent more than £500,000 on rare bottles, including the first of two "superlots" for £340,000 (estimate £200,000).

Other record-breaking sales were: a case of Cheval Blanc 1947 at £18,000 (estimate £4,500); Haut Brion 1961 at £6,200 (£1,200); Gruaud-Larose 1961 for £2,400 (£1,800) and a case of the rare Pomerol Le Pin 1982 for £3,300 (£2,000). Until recently a

bottle of this last wine was on the wine list at the Dundas Arms, Kinfbury, for £50.

At Sotheby's on Wednesday three Nebuchadnezzars (20 bottles worth each) of Chateau Mouton Rothschild 1975, 1982 and 1990, were sold to a Japanese buyer for £26,300 - seven times the estimate. Some 32 other lots of Mouton raised £28,375: the first Jeroboam (six bottles) of Chateau d'Ermitage Le Pavillon 1980 sold for £2,572 and bottles of the Salon champagne 1979, 1976 and 1974 reached £266-£330 each.

Nicholas Lander

Peugeot's new people-carrier, the 806, is just

2in (5cm) longer than the

405 estate and a full

16in (45cm) shorter than the

old 505, a jumbo-sized estate

regarded highly by parents of

three or more children. They

know only too well that to

travel legally, safely and com-

fortably *en famille* with lug-

gage, you need three rows of

forward-facing seats and a rea-

sonable boot.

Cars with these are few and far between. The 505 and the

equally spacious Citroen CX

went long ago, although Ren-

ault still has the three-row 21

Savanna estate. Otherwise, it

has to be a multi-purpose

vehicle (MPV) such as the

Toyota Previa, Renault Espace,

Nissan Serena or, if you live on

mainland Europe, Chrysler

Voyager.

The same criticism applies to

conventional estate cars

(Volvo, Mercedes-Benz, Rover

Montego, for example) having

a pair of child seats that pull

up from the load floor. These

face backward and children

tend not to like them for any-

thing but short trips. Parents

worry about their vulnerability

to rear-end collisions - with

good reason, I would think -

and luggage space disappears.

For 10 years, the Renault

Espace has been Europe's best-

selling MPV. Arguably, it is

still the most stylish, but this

week it came under assault.

Peugeot's 806 "monospace"

MPV, which has up to eight

seats, went on sale in France

priced between FF113,000

(about £15,800) and FF122,000

(£24,800). That is FF75,000 to

FF70,000 (say £10,100 to £9,250)

cheaper than a comparable

Espace. The 806 - and its soon-to-

appear Citroen, Fiat and Lan-

cias clones - has been a joint

PSA (Peugeot-Citroen) and Fiat

project because neither group

could have afforded to go it

alone. For the same reason,

Ford and Volkswagen have got

together to produce their own

MPV, due for launch in 1995.

At the moment, the 806 is

offered only with 1.6-litre two-

litre petrol engines, one of

them turbocharged, although

a diesel follows soon (and, per-

haps, a V6 later on).

Unfortunately for British

families, 806s with right-hand

steering, at least a year off,

although a few left-hand drives

will be available before then.

Holiday-home owners who</p

HOW TO SPEND IT

Roller-blading hits town

Forget the gentle swish of leather on willow or thwack of tennis ball and racket. The new sound in the parks this summer is the whoosh of roller-blades on tarmac.

Roller-blading has hit London in a big way - and it is not just the teenage set that has taken it up.

Roller-blading started in Minnesota in the early 1980s as a means of honing ice-skating skills during the summer. Then people besides sportsmen realised it was fun and it became a more general activity.

In the UK it is just beginning to take off, whereas in New York roller-bladers are everywhere. "In New York it is a new form of public transportation," says Eric Regout, London correspondent of the Canadian Financial Post and once an ice-skating star. "It is also culturally acceptable - in most stores in New York you can go into a store on your roller-blades; you could go to the most expensive restaurant and nobody would look at you twice. Executives roller-blading to work in their Armani suits are a common sight."

Eric himself roller-blades in the parks in London but is more nervous of roller-blading to work because of the traffic. "In New York they are not confined to the parks; they can be seen all over the streets and New York drivers, having become used to the many bicycle couriers, seemed to have no trouble adapting to roller-bladers. People do it for fun, for exercise and for transport."

He started in his early thirties having resisted it initially "because I thought I was too old for it but my doctor recommended that I took it up for my back - it's great for your muscles and is good aerobic exercise without damaging joints. Many runners and joggers who have been told to stop running because of the damage it was doing to their joints have taken it up."

It is not difficult to learn and anybody who already knows how to ice-skate should pick it up very quickly. The main problem seems to involve

runner "baggy shorts, bright colours (we're a lot less cutish and much jollier than the skate-boarding crowd), and loose tops" are all you need to wear - apart from the equipment.

Road Runner says it supplies gear to all ages - from children so tiny they can hardly see over the counter, to the "gold card" set, well over retirement age. "Lots of middle-aged people love it because it is low-impact exercise and much more fun than aerobics. This year we're also getting lots of the City crowd - people who work in merchant banks

have taken it up."

The activity is refreshingly free of any cult clothing. According to Road

stopping: ice-skating has techniques for stopping; but there is no emergency stop for roller-bladers - only diving on to the nearest grass, or making a couple of 360-degree turns, or doing a T-stop (but that wrecks the wheels).

Lessons are available for those who do not know how to ice-skate. In London, Road Runner, Unit 002, Lancaster Road, (01 263) 2016, Portobello Road, London W11. Tel: 071-792 0584 will organise lessons at £10 an hour and hire out roller-blades at £8 a day. According to Road Runner, most people need 1.5 hours before they are ready to take to the parks.

The activity is refreshingly free of any cult clothing. According to Road

and love skating in the winter are taking to roller-blading in the summer," says Road Runner.

The most common injury is a broken wrist and wrist-guards should be worn at all times, while knee and elbow guards are advisable as well. Bicycle-style helmets are a further precaution.

Weekend FT sent Carmel Allen, old enough to see over the counter, but a long way off bus-pass age, to have a go. She loved it: "I'd just come back from New York where I'd seen people having great fun roller-blading at the open-air disco in Central Park. I was full of enthusiasm but a bit apprehensive and worried about losing a tooth or grazing my face. So I wanted to take lessons.

"Road Runner provided the inestimable Sven whom I had to meet at the kiosk in Kensington Gardens. I knew it had to be him when I saw this pony-tailed blond doing some very fancy footwork just by the kiosk. He was sweet as pie."

"The first thing I wanted to know was how to stop - once I could do that I was ready for my turns. Two hours whizzed by and by the end I was able to skate to the gym and say good-bye, into Kensington High Street. I had one dramatic fall when I put my weight back and fell slap on my bottom. Now I feel ready to experiment further on my own."

"The thing I like about it is that it is such a happy sport. People smile when they roller-blade. When I used to go to the gym it was much more competitive. In the park everybody was encouraging me and clapping if I managed a difficult turn. And since friends have heard that I have taken it up I have had at least four roller-blading invitations."

Most good sports shops sell roller-blades - a good pair will cost anything from £25 to about £220. Wrist-guards and elbow guards cost between £15 and £20 and knee guards are about £20. As for the boots, the wheels and bearings are what really matter technically - and if you decide you like the sport you can upgrade them later on.

Road Runner also has a branch at 127 Queen's Road, Brighton, BN1 3WB (073-74256). Many other sports shops supplying roller-blades might be able to provide a teacher.

For those who serve . . .

Lucia van der Post on what to wear for tennis

There are those who still care about what they wear when playing sports such as tennis. Tennis wear for chaps has remained reassuringly much the same throughout the years with the only real change being a welcome trend to longer, baggier shorts and looser shirts (if in doubt buy a size or two up).

For women, though, it has been hard in recent seasons to find much that looked tolerably feminine and yet fulfilled the practical brief. Strictly tailored little skirts with rather butch shirts have become the standard wear, whether on rickety public courts or Centre Court at Wimbledon.

Anybody wondering what happened to the sweet little tennis dresses of yesteryear (the sort that Chris Evert and Tracy Austin used to wear, remember?) might like to know that this year, soft dresses are back on the agenda.

Ellesse, for instance, has created a series of long-bodied, low-necked dresses with skirts which twirl prettily as you serve and run and which would look equally good at the club bar afterwards. In white, with a canary yellow skirt, in cotton and lycra, it is £110 from good sports wear shops including Lillywhites.

Another name to look out for is Belfit, better known for its excellent ski-wear - like many a winter sports orientated company it needs to fill



Dresses are back - this one is by Ellesse

in the income gap in the summer and this it does with some very beguiling tennis-wear.

There is a sleeveless dress made from soft white cotton with a pink or blue and white gingham skirt, £39 from Harrods Olympic Way.

Finally, if dresses are what you are looking for, there is Diorosiers, a British company which has also decided that this is the year to go a little bit more feminine. In particular there is a cap-sleeved, drop-waisted version with a pleated skirt edged with a floral band for £55. Also from Harrods Olympic Way.

Little black swimsuit

Lucia van der Post on flattering swimwear designs

When it comes to swimwear there is a beach version of the little black dress - the beautifully cut all-in-one black swimsuit. The perfectly plain black (or may) swimsuit is what one reaches for on all those occasions when one's stomach is feeling less than flat, one's thighs seem a strange shade of white and one wishes one had embarked on some... any... kind of diet at least three months ago.

In other words, bikinis or supportless 1920s high fashion numbers are for those whose morale in the figure department is sky-high.

But there is a half-way house between maximum coverage and high-fashion - and that is Sam de Teran. I wrote about her two years ago when her first swimwear collection caused, if not a storm, at least a little flurry in the niche world of swimwear. Today, she is copied by everybody from our biggest chain stores to some very upmarket houses indeed.

Her trademarks are classic sober colours (navy, black, cream), skillful cut (she believes that little legs or skirts on swimsuits are more flattering to the average thigh than all those vulgar high cut-aways) and dramatic cut-outs on the body.

This year sees a new collection which homes in on what she does best - lots of support (she uses a nylon/lycra fabric which, while heavier than cotton, also offers more support), dramatic simple shapes and flattering lines. She has added more little skirts as they proved so popular and so universally flattering, and includes one number which can be worn straight from the sea to a restaurant, so demure is its little skirt.

Her prices are not cheap but then for the little black dress of the beachwear world, it is possibly worth paying for better cut, better fabric and a bit of pizzazz as well.

Her prices range from £45 to £110 and the range can be found in Fenwick of Bond Street, London W1; Way In and First Floor at Harrods;



Updated 1920s style by Samanta de Teran

Lisa Sterling in Manchester; Dickins & Jones in London; Kendal Milne in Manchester; and Frasers of Glasgow.

■ Let the chaps feel left out, Samanta de Teran has a streamlined collection for men - mostly in black and cream. With lots of bold (and flattering) stripes they sell at about £60 each and for the moment can only be bought from Bodyworks, 40 King's Road, London SW3.



Carmel Allen trying out her new-found sport, flanked by Italian bankers Aldo Mordiglio (on the left) and Alessandro Costa

Lynne van der Post

FT Ski Expedition/Arnie Wilson

A flight from the slopes

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. This week they moved from Europe to North America on their way to Chile.

In her hooded white jacket and white jeans, Lucy looked like something out of Colorado's 10th Mountain Division, the war-time unit of American troops trained to fight on skis, as we set off on a misty dawn to ski a hillside at Hintertux, Austria.

Not bothering to change into our ski suits for just one run, we drove to the nearest snow-covered fields, tried to avoid the gentians and hoped the local farmer would not spot us.

Once again we were skinned at an unearthly hour in order to leave ourselves enough time to reach a distant airport

before an inter-continental flight.

Frankfurt was 350 miles away, and our Air New Zealand flight to Los Angeles was due to take off that afternoon. If we had waited for the lifts to open and gone up to the glacier, we might not have made it.

The skiing at Hintertux, the best of the Austrian glacier areas, had been so outstanding that we were tempted to lengthen our stay: we made fresh tracks in powder all morning.

At Karter, at Saas Fee in Switzerland, we were rescued by the ski school director, Heinrich Kalbermatter, who arranged a ride on a snow cat for us when the summer skiing area was forced to close because of snow and high winds. Our driver, Urs Niedermann, drove us like a tank commander in a white-out to a

point on the glacier from which we could ski our obligatory mile.

Now in California, our traditional landfall between continents, we drove all night across the Mojave Desert to Mammoth Mountain, passing Edwards Airforce Base, where most of the Space Shuttles land. It reminded us that Fran Newitt, our expedition co-ordinator based in Kent in England, had started referring to us as her "time travellers".

Faced with an itinerary which grows more complex by the day, she has been gamely trying to keep us on course. But even she sometimes has to

draw breath. Her last message to us included the memorable sentiment: "I'm sure there's a way round all these problems if only I could think what it is."

At Mammoth, Ivan Russell had horses, Jeeps and snowmobiles standing by to help us get to the snow while the gondola was closed for maintenance.

Our daily outing on skis has been down Scotty's, named after a skier killed on this trail by an avalanche in 1968. We pass a monument to him every time we ski his run. We hope he would have wished us well.

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FASHION

Simply made to measure ... perfectly

Linda Watson opts for bespoke tailoring when a good fit is hard to find

Call me old-fashioned, but I like fashion that fits. I like shoulders to flatter, the sleeves to skim my wrists, the waist to meet mine. All I ask of a jacket is that it allows me to stretch, bend, and cross my arms without fear of asphyxiation or the buttons flying off.

Maybe I am asking too much: at a mere off, I am a size 10 across the shoulders, a 12 across the bust, a 14 around the hips. As a result of this odd - but not rare - anatomical equation the past five years have been spent in pursuit of the perfect jacket.

There comes a point in every woman's life when she must concede defeat: in the eyes of the fashion industry Ms Average is around 5ft 5in, with a beanpole physique. Although an alarming 47 per cent of Britain's female population is size 16 or over, it is not simply a question of weight - but the distribution of it - which causes headaches for high street retailers.

Millions of individual nuances in height and shape are the root cause of our clothes not fitting properly. To some extent this is catered for in specialist sub-sections, namely the outsize, the tall, and the petite. But what happens when a few of these categories merge? pity the small, curvy woman, the tall, outsize shape or anyone else who does not fall neatly into mass market statistics.

Ironically, for all the technological advances in clothing manufacturing, around 50 years ago this problem did not exist. Firstly, I would have been in the majority (Ms Average circa 1940 was shorter and curvier - no wonder original utility jackets have always fitted me like a dream), but more importantly this was the era before mass manufacturing. When people were not making their own clothes, they bought made-to-measure.

Today there seems to be a psychological barrier against made-to-measure. For many, the art of choosing clothes is frequently squeezed in hastily during a busy day's appointments.

Lycra has a lot to answer for. How many women, I wonder, are regularly purchasing leggings or stretch velour trousers (easy to wash and just as easy to wear) instead of the tailored ones?

But elasticated fabrics and frenetic lifestyles cannot be solely to blame. Harry Sargeant, one of the shrinking number of bespoke tailors and a member of the Federation of Merchant Tailors, says: "We've become incredibly lazy about the way we dress. It isn't enough just to be willing to spend more, you must take a keen interest in your figure, have a feel for fabrics and know what clothes can actually do for you. A certain amount of imagination is required."

But it is not just jackets which are a problem - it can apply to any clothing item which requires an element of fit.

To be fair, the high street retailer has met us half way. In-store alterations are more widespread than ever. But these can only go so far. Any nips and tucks carried out at the point of sale only tackle basic discrepancies - shortening or lengthening sleeves, narrowing or extending a shoulderline. What they will not do is change the structure - reshape a waist point, re-cut a sleeve, reshape a collar.

Contrary to popular belief, bespoke tailoring is not a no-go area for women. While any tailor will tell you men make up the majority of their business, many have a small percentage of female clients.

Women often assume that custom-made clothing means outlandish prices. In fact, it often costs much the same as upmarket, off-the-peg labels.

A pure wool coat (with a small percentage of cashmere) at Jaeger, for example, will cost around £400. A bespoke tailor (not on Savile Row) will charge you around £350. Even a top-of-the-range ladies cashmere overcoat, from Huntsman of Savile Row, is £2,856. Its mass-produced counterpart averages between £1,000 and £2,000.

Although tailors work on a one-to-one basis - effectively cutting out the middleman and the usual 100 per cent mark up - their profit margin is minimal. You therefore get more



for your money. Custom-made clothes last longer: partly because the quality of cloth is superior, but also the personal touches - hand finishes, hand pressing and hand stitching - cannot be simulated on a production line.

Even when the garment is worn out, the original pattern will be on hand to make an identical copy. During its lifespan, a coat can be regularly re-lined and repaired. Seams (particularly with traditional bespoke wear) are generous enough to be easily taken in or out to accommodate fluctuating weight.

But most impressive of all, knowing Ms Average does not exist, tailors are trained to take individual posture into consideration.

It is best to try a personal recommendation first and, when it comes to traditional tailoring, look for a tailor who is a member of the industry's governing body, the Federation of Merchant Tailors.

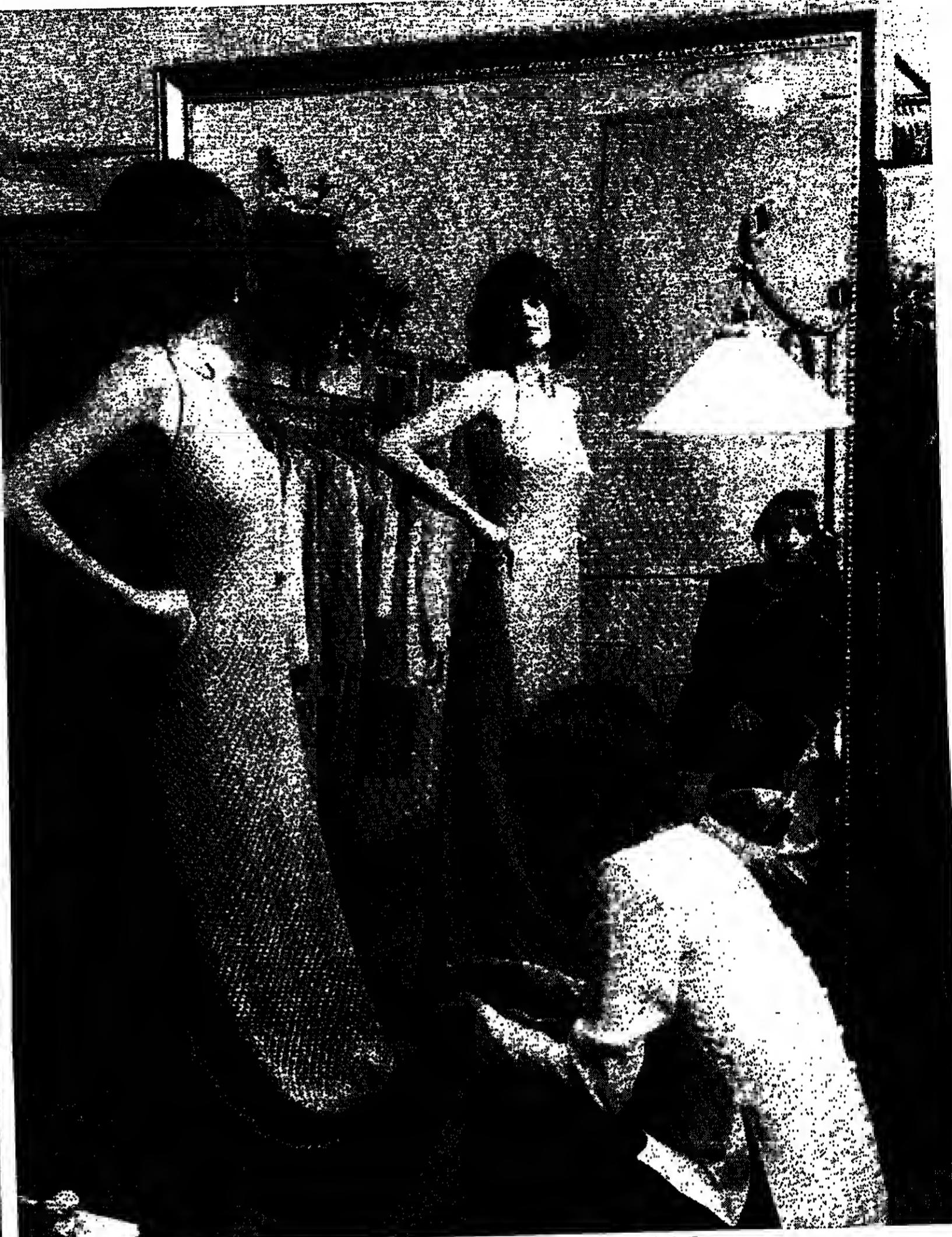
The procedure is straightforward: at blueprint stage in buying a jacket, for instance, a few questions will be asked: Will you be wearing it in the country? Do you prefer thinner or thicker cloth? Do you intend to wear it with trousers or a skirt? Two prices will probably be quoted - one with, and one without, the fabric (in which case the customer provides it).

Prices decided, you pay approximately one third of the total price, the rest to be paid on completion. One, possibly two, fittings follow before the garment is finished.

In total, you will have to wait at least three to four weeks for your made-to-measure jacket.

If this seems an eternity, you could buy off-the-peg and wait around 10 days for any alterations. Alternatively you could spend the next five years looking for perfection. No contest: I am off to the tailor's tomorrow.

Although tailors work on a one-to-one basis - effectively cutting out the middleman and the usual 100 per cent mark up - their profit margin is minimal. You therefore get more



Antonia Robinson and Anna Valentine, collectively known as Robinson Valentine, have developed a niche market for made-to-measure

meticulously organised, with a

computerised file on each client containing their measurements, Robinson Valentine is a magnet for all ages and shapes. Says Anna Valentine: "Everyone has something which needs to be disguised or

flattered - it's our job to do that". Prices start at: jackets, £425; trousers, £220; dresses, £300; coats, £750. Robinson Valentine, 4 Tonsley Place, London SW18 1PQ. Tel: 081-877 1571.



RIGHT: Rosie Martin, a fashion writer with *Vogue*, decided to have her shirt custom-made at City shirtmakers Webster Brothers because she could not get exactly what she wanted off-the-peg.

Martin Levitt, the company's expert shirtmaker, says the trend is catching: "More and more, women are coming to us, particularly those with longer than average arms."

A Webster Brothers shirt, always made in two-fold cotton poplin, costs around £90 and takes between four to seven weeks to complete.

■ Webster Brothers, 56-57 Cornhill, London EC3V 3VV. Tel: 071- 626 5838.

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TRAVEL

A cold night with a camel

Mark Hodson sleeps under the stars in north-west India

Our drivers insisted that the opium was for medicinal purposes. The two men were squatting round a camp fire built out of dried camel dung. Darkness was falling over the desert and the cold night closing in. One man crumpled up part of a block of unrefined opium, placed it on his tongue and slurped it down with tea. "Just to keep me warm for sleeping," he said.

It was getting chilly. At midday, the Thar desert in north-western India can feel like the hottest place on earth. But half-an-hour after the sun set, turning the sky ruby and gold, we were pulling on sweaters and huddling round the flames.

A friend and I had hired camels and drivers from a local village chief and we rode for three days while our brains were cooked and our kidneys ground to a pulp by the constant rocking motion.

The drivers were Rajput men from small villages dotted near the border with Pakistan. Under bright turbans their skin was dark and their eyes bright. They wore patterned slippers and handlebar moustaches and when they grinned they revealed rows of gleaming teeth. One kept us entertained by singing and chatting incessantly; the other, assigned to me, did not utter a word in three days.

Around the camp fire the talkative driver, named Isra, banged out rhythms on an empty plastic water bottle as his friend prepared dinner. There was vegetable masala, dahl and unleavened bread baked in sand beneath the fire.

The camels rested nearby, neither sleeping nor lying down, just kneeling in the sand, their front legs tethered. We opened a bottle of hooch bought in one of the villages. It was a kind of murky rum made from sugar cane and oranges and was surprisingly drinkable.

When he had eaten, Isra told us

some tall stories about gypsy curses and an imprisoned princess. Then he wiped the plates clean in sand and started to make his own supper - both drivers refused any food until the drink was finished.

They made up our beds on the dunes - three thick blankets each - and tucked us in. We lay fully-clothed, watching the shooting stars until sleep took us off to dream of lesser things.

The cold woke us in time to see the sun rise, and then we heard of the night's drama. One of the camels had chewed through its tether and made a run for it. Isra, who had to jog for an hour before catching it, laughed as he told the story. The camel, now chewing nonchalantly on its breakfast and with fresh rope around its ankles, looked unabashed.

The incident might have ended there except that it seemed to inspire a new spirit of rebellion in the other camel, which decided that it had enough of me.

From the start it had been tempestuous, the drivers explaining that it was just seven years old and not yet fully broken in. But now it was snorting angrily, and when my driver tugged a little too hard on its rein it turned and spat the feed green remains of breakfast over its owner's white shirt.

The politics of human-camel relations dictate that when the animal spits, negotiations have reached a temporary halt, and we waited a few minutes for it to calm down. Then the driver tried, ever so gently, to coax and cajole it into action, clucking and blowing kisses as if trying to persuade a kitten to come down from a tree.

The beast relented, and two hours later we arrived at a group of homes in the sand where half-a-dozen men were squatting in the sun beside a field of millet. They looked up with opium eyes, the same smiling nonchalant gaze that the camels gave



Camel drivers resting: the politics of human-camel relations dictate that when the animal spits, negotiations have reached a temporary halt

us from beneath their long curling lashes.

The men were swallowing opium with tea from white china cups and saucers. "It is just to stop them feeling the heat," Isra assured us. Another man appeared from a mud hut carrying his young son. The boy's back was pitted with infected bites. We had no antibiotics, so we handed over a bar of Lux soap for which the father grasped our hands in silent gratitude.

My driver's silence, which at first had confounded me, now seemed ideal. As we ambled through the stark landscape, the only sounds came from the creak of the leather saddle and the camel farting and panting. Occasionally we would hear goat bells but otherwise the desert was quiet. In a country as loud as India, this seemed to us in silent gratitude.

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I was even warming to the camel, whose ungainly appearance - all teeth, neck and knees - had at first put me in mind of a friendly Spielberg monster. Camels can hardly be called intelligent, but their languid gait and the dainty way they pick their way over the sand can pass for elegance. There is no escaping one fact, though: of God's many wonderful creations, they are surely among the most flatulent.

At the next village we arranged to buy a chicken from a man who then ran off with our money, promising to deliver the chicken later. We rode for another hour, passing wild peacocks and a herd of gazelle and two girls, their faces covered with bright veils; on their heads were huge water jugs.

As buzzards circled overhead, Isra chatted with an old woman herding goats some 20 yards from us. We set up camp on virgin dunes and drank milky cardamom tea as we waited for the chicken man. It was an hour after dark before he arrived with the bird, which was taken behind a cactus and discreetly strangled.

The delivery man declared it too late to walk home and invited himself to dinner - a chicken and vegetable curry - before curling up to sleep beside the embers of the fire.

If he had felt inclined he could easily have found his way back, for these men know every inch of the desert. On moonless nights such as this, lone camel drivers cross the Pakistani border. They smuggle out silver and bottles of rum, and return with opium and gold.

Across India, gold is highly prized and forms the core of every rich girl's dowry. But something strange

happened in the history of these remote villages, where the man's family must now supply the dowry. When times are hard, young men may roam the desert for years with only their camel for company, trying to save enough money to tempt a worthy bride.

Isra was lucky. Married young, he was now 35 - though he looked 10 years older - with five children. He works for half the year, taking occasional tourists on treks, and in the hot season, when daytime temperatures regularly top 45°C, he stays home to "make more babies."

On the final day we arrived at a straw shack where a young couple live with their two small children. In their fenced-off yard were all their possessions: a stove, some rusted tins, plates and cups, one goat. They sat us down, made tea and offered us cigarettes, asking for

nothing in return.

I gave the man a postcard of London, one of a pile I had taken with me to India, and told him it was a picture of my home town. He stared at it for a while, turning it over in his black creased hands, before handing it to his daughter.

The girl, who was about four years old, with cropped hair and a smoky nose, looked at it blankly and then walked away, clutching it to her torn T-shirt.

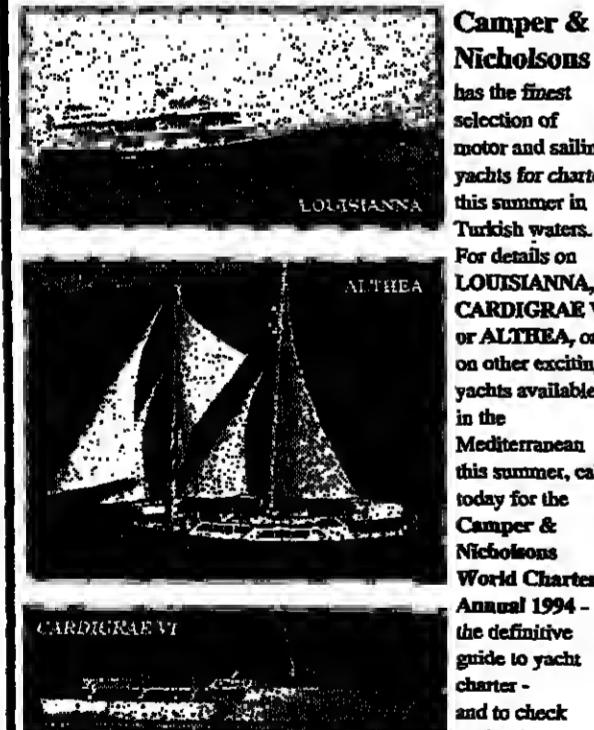
As we left, I wondered what they would do with the postcard - pin it to a wall, throw it away, try to sell it - and imagined, in my arrogance, that it might play a small part in that girl's life.

Would she wonder about the place that lay beyond the edge of the desert? Would it make her want to go there? In such small ways are lives changed.

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TRAVEL / PERSPECTIVES

litter's blow

Edine, on the Bulgarian frontier to Istanbul, at the gates of Asia, is the flag-end of the Orient-Express route. Every morning a pink *motorren* sets out from Edirne, roams Thrace, stops everywhere and reaches the Bosphorus in the evening. A ticket to Corfu (*Tchor-loo*), the half-way house, about 110 miles, costs 55p.

Two rough-looking boys were my fellow-passengers. They looked over my shoulder as I sat studying the map of Turkey. One traced with his finger an east-bound journey, far across Anatolia, to Mys, near Lake Van. His native town. The other went farther, into the mountainlands of the Iraqi border.

"You're a Kurd," I told him. Both laughed heartily. I pondered the mobility of Turks in their vast land where, to one side, the Danube pours her waters and, from the other, the Tigris and Euphrates flow. The Grand Signor once summoned teams of virgins from the distant provinces, in order to have samples of every region in his harem. By the time the Lake Van girls reached Constantinople, a third of them were mothers.

At least they were spared an ordeal by *motorren*. Racked with cramp from its narrow, straight-backed bench, I needed help to disembark at the wayside halt of Suyukkarsi. (A sketchy knowledge of a few nouns interpreted it as either the resting-place in the birch forest or the town of

A hot and dusty road to the last place on earth

wooden saucepans).

It was an oasis of rank vegetation in a harsh landscape. Roses fought with cabbages, all tossed in a red and green salad. Hollyhocks and begonias stood like signals along the line. Canary crested fastened the fountain and the crossing-keeper's white two-roomed house.

He lay sprawled under his fig-tree, a burly old fellow in braces and uniform trousers.

Custodian of this single-track between east and west (down the line: Istanbul, Ankara, Bagdad; up the line: Sofia, Vienna, Prague), he led a contented life, pottering among flowers.

He exemplified the wisdom of Candide's philosophy: "Il faut cultiver notre jardin." The pink *motorren* had not been worth getting up for, but when a signal clicked and the dark-green *Motor Express* loped through like an exhausted animal, he put on his pill-box cap and saluted the driver.

I took to the hills. When the rains arrive, Thrace will be a delightful country with oak, mountain ash and laburnum in leaf, wild cherry in flower and clear streams racing down sandy channels to the Sea of Marmara.

Until then it is dusty, lifeless

pastures were a mistake. My guide-book mentioned "playful Thracian shepherd dogs," but those I met had never learned to play. The first whiff of a stranger brought them racing in a pack, snarling and spoiling for action.

Pretending to pick up a stone sometimes disarms a cur, but not the curs of Thrace. The shepherd, thank God, is usually not far away. You offer a cigarette (which he examines as though he has never seen one before) and sit with him in a cavity of the dried-up torrent bank, out of the breeze.

It served no food or drink (it was impossible to buy wine

anywhere in Corlu, although the place bristled with drunks), but I discovered a sort of garden restaurant called Alsancak Ondurcu. The lamb rissoles and nightingales' nests, the kebabs and *donnas* were nothing to write home about, but the commissionaire snapped off a saute as I arrived and the coffee-boys, balancing tiny cups on trays slung from silver chains round their necks, trotted about smiling.

On a low wall across the street sat a dozen old women, veiled and silent, like a row of black crows waiting to pounce on the leavings. I asked one if I could photograph her. She fled whimpering. I put the same question to her neighbour, who immediately uncovered and gave the camera a brilliant smile.

The 15 miles from Corlu to Tekirdag (*Tekky-dai*), downhill all the way, take about four hours on foot. When you come out on the low, lonely Marmara cliffs you can strip, beat the sand out of your clothes, wash and dry your socks and swim in a mild sea.

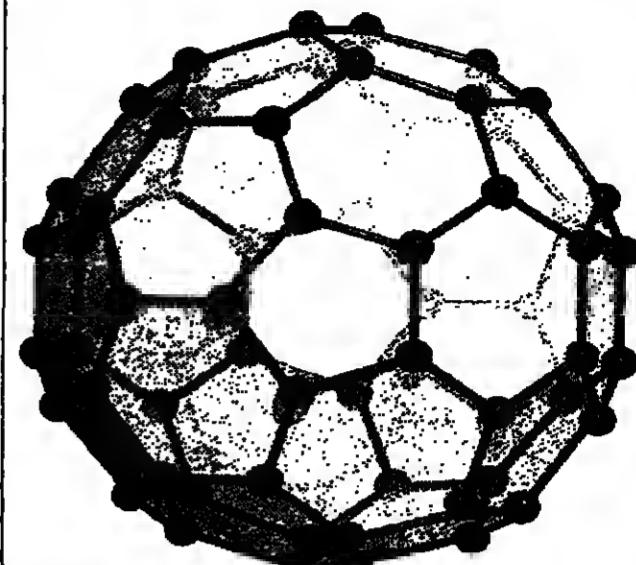
Tekirdag is a small port among the dunes through which sandy trails of streets are cut. Hustled by the gritty wind, clapboard houses rattle

and nod over their buttresses of sand. There was no sign of a population until I peered into the mosque, where a spotty youth in a tasseled cap was reading from the Koran.

A bell tolled. Out of the municipal offices the clerks came running down the broad steps two and three at a time. Surely one among them spoke English or at least French? Surely someone was aware of the literary importance of Tekirdag, the spot that Voltaire nominated (possibly because it appeared to him the last place on God's earth) as that to which Candide and Pangloss returned to cultivate their garden? The clerks could not make out what I was talking about. A garden? At Tekirdag, where everything lay under 6 inches of sand? Before dark I had surveyed the town, upwind and down. There was no monument to that profound and original French philosopher, no *tabaret* Candide, no *sokagi* Pangloss. Army trucks slithered through, each vehicle's radiator proclaiming "NATO-FUNDED."

A coach from Greece stopped at the waterfront fuel point, all its passengers asleep and the radio playing Mozart. One by one the arc-lamps of the coasting vessels at the jetty went out. Incredibly, the coasters seemed to have been discharging cargoes of sand and gravel. I button-holed a sailor in French naval uniform. "M'sieur, you know of Voltaire?" He looked up and down the harbour and said: "How many funnels has she got?"

The Nature of Things



A "truncated icosahedron": chemists marvel at fullerene's shape

Scientists on the ball

What does chemistry have in common with the World Cup? Answer: great excitement about balls.

The most significant molecule discovered in the past 10 years is C_{60} , the football-shaped form of carbon known officially as buckminsterfullerene - fullerenes or buckyball for short. An astonishing range of applications has been proposed for fullerenes and related compounds: from batteries to AIDS treatment; better photocopies to super-slippery lubricants; rocket fuel to ultra-strong fibres.

But chemists are not just excited about the potential uses of fullerenes. They marvel at its spherical shape - more symmetrical than any molecule previously known to science. And they are delighted that pure carbon - long known to exist in two forms, graphite and diamond - can take a third form so different to both of the others.

In diamond, the hardest natural material, each atom is linked to three others in a three-dimensional tetrahedral arrangement. In graphite, one of the softest, the atoms lie in two-dimensional hexagonal sheets. Fullerene is a "truncated icosahedron", one of the 13 Archimedean solids known since classical times. Its 60 carbon atoms are arranged in a regular cage whose sides consist of 20 hexagons and 12 pentagons - just like a soccer ball (which usually has the hexagons coloured black and the pentagons white).

But the scientists who discovered C_{60} in 1985, Harry Kroto of the University of Sussex in England and Richard Smalley of Rice University in Texas, were not soccer fans. Instead they named the molecule after the late Buckminster Fuller, the American engineer who designed geodesic domes with a similar shape.

The discovery illustrates the spin-offs that can come from "blue skies" research pursued out of intellectual curiosity. The driving force behind it was Kroto's desire to understand the nature and structure of matter in interstellar space.

Kroto believed on the basis of spectroscopic evidence that long chains and other clusters of carbon atoms existed between the stars. To investigate further, he convinced Smalley to join a co-operative project, using special equipment designed by the latter to generate atomic clusters from a supersonic jet of gas in a laser beam. They found that molecules with 60 carbon atoms were particularly stable - and proposed the correct fullerene structure - but could only produce them in microscopic quantities.

As it turns out, fullerenes is widespread in nature. Spectroscopic studies show that "Bantu's celestial spheres" are indeed almost certainly present in interstellar space. On Earth tiny traces of C_{60} have been detected in 85-million-year-old rock dating from the end of the Cretaceous era; they may have formed in the cataclysmic collision with a comet that exterminated the dinosaurs.

The breakthrough towards practical applications came in 1990 when Wolfgang Krätschmer of the Max Planck Institute

for Nuclear Physics in Heidelberg and Don Huffman of the University of Arizona in Tucson discovered a simple way of making relatively large amounts of C_{60} . They vapourised graphite electrodes in a low-pressure helium atmosphere, producing a sooty yellow solid.

Within months of the process being published, many scientific groups were making their own fullerene and today the material is available commercially. For example, Dynamic Enterprises, a UK supplier, sells more than 99.5 per cent pure C_{60} at £100 a gram - and an educational Buckybox kit for schools to make their own fullerenes costs £25.

As well as C_{60} , the Krätschmer-Huffman process produces smaller quantities of other previously unknown fullerene-like molecules. Most common is an elongated form, C_{70} , which looks like a rugby ball.

More exotic variants include buckytubes - fullerenes stretched out indefinitely in one direction - and bucky-

Clive Cookson on a form of carbon shaped just like a football

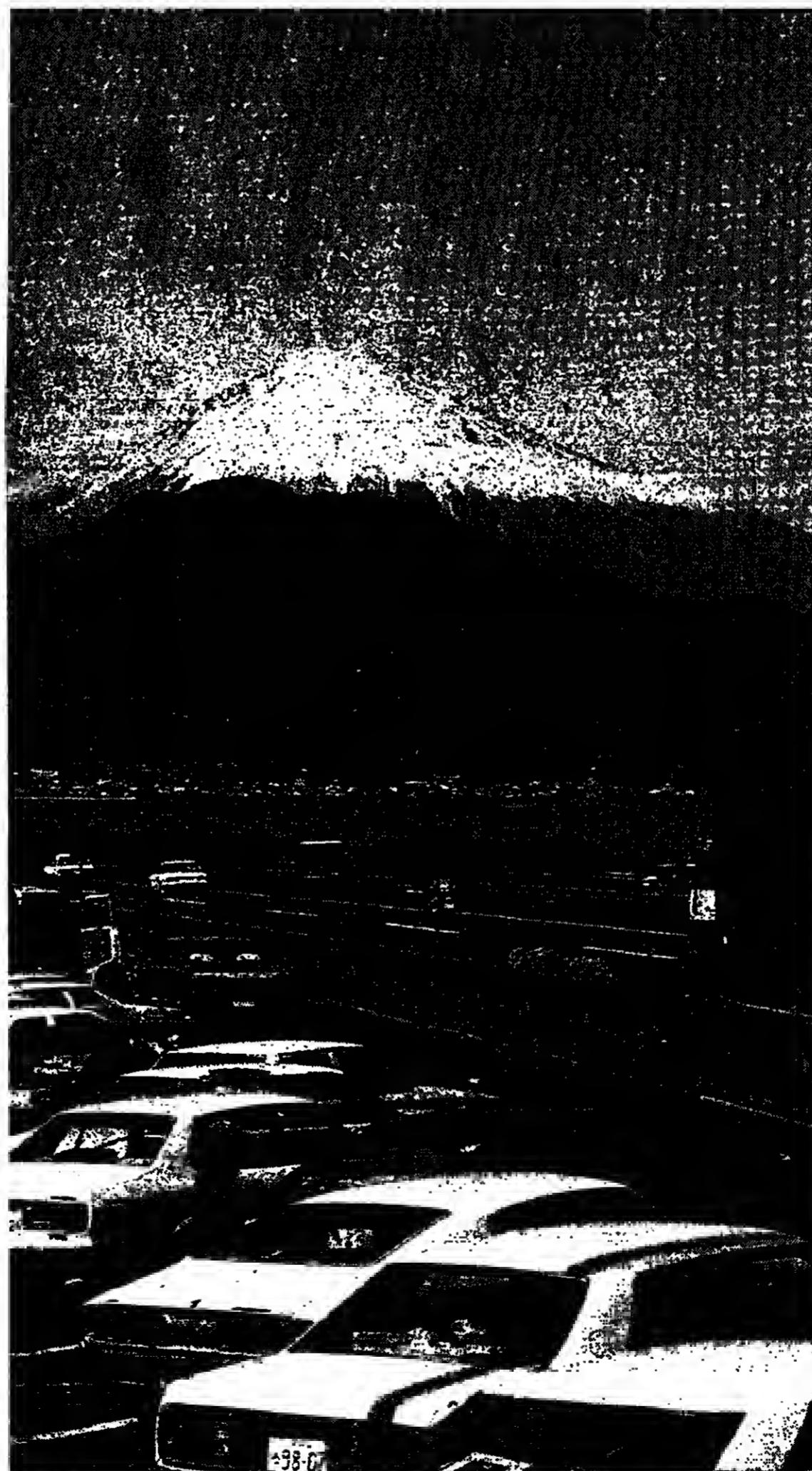
onions - concentric shells of successively larger fullerenes. Researchers at NEC, the Japanese electronics group, have recently made buckytubes only a few millionths of a millimetre thick but more than a thousandth of a millimetre long, and filled them with metal atoms. They are the finest wires ever made and are potentially far stronger than the conventional carbon fibres used in industry.

At the same time, scientists are making chemical derivatives of C_{60} by attaching other elements to its carbon atoms. One example is a fullerene with two water-soluble molecular groups attached to its surface. This turns out in test-tube experiments to block an essential enzyme in HIV, the AIDS virus, and is a long-shot candidate for development into an AIDS drug.

Another avenue of research is to make fullerenes in which the cage itself is made of elements other than carbon. Japanese researchers are investigating N_{60} , a buckyball made entirely of nitrogen, which would release huge amounts of energy if it reverted to nitrogen gas. It could be a rocket fuel or explosive.

But the first application of fullerenes may well be in photocopies. Xerox recently received US patents for a process to improve the resolution of photocopies, taking advantage of the fact that carbon buckytubes are 1,000 times smaller than the particles in conventional toner. The company is also experimenting with a range of coloured fullerenes for colour reproduction.

From the English point of view, fullerene fever is sadly like the World Cup. We invented the game and now all the action is taking place elsewhere.



Climbing Mount Fuji is, for the Japanese, a religious experience

In search of the Japanese spirit

Christopher McCooey experiences early morning on Mount Fuji

Four o'clock on a July morning on the rim of a dormant volcano. It was dark and chilly, the wind swirling out of the 700-ft crater behind me. I was not alone, just one of hundreds gathered on the summit of Mt Fuji, at 12,388ft, the highest point in Japan.

Some people had slept for a few hours in mountain huts on the trail or at the summit. Others, like myself, had climbed through the night and were resting - conversing in low voices, sharing chocolate and amaretto in time-honoured mountain tradition - and waiting for the sunrise.

Climbing Mt Fuji is more than just getting to the top of a mountain. For the Japanese it is a religious experience, confirmation of their true Japanese spirit, and to be there at dawn, to pay homage to the rising sun, is the ultimate high.

The eastern sky began to lighten perceptibly as more and more parties of climbers, some urged on with whistles and megaphones, snaked their way to the top. Their progress could be monitored by watching their torches swinging from side to side, following the trails below.

At this altitude it is necessary to rest every few steps as the final few hundred feet are the steepest and the loose volcanic ash and cinder make it very tiring: three trudges up, half a slide down, wheeze, rest, gulp for oxygen, gaze at the stars. Altitude sickness, a red-hot steel needle inserted behind the eyes and twisted slowly for effect (or so it feels), may be a problem. If you are prone to this, take altitude pills.

Fuji is an almost perfect volcanic cone about 60 miles south-west of Tokyo. On days when strong winds have swept away the pall of pollution that inevitably hangs over Tokyo, a city of nearly 12m, the graceful mountain, snow-capped in winter, can be seen from downtown.

The volcano must be considered dormant rather than extinct. Since 800 AD, seven eruptions have been documented: the most recent took place between December 18 1707 and January 22 1708.

It was in that eruption that the cone lost its perfect symmetry. There is a hump on its south-east slope called Hoei-zan (son or son means mountain in Japanese, *yama* also meaning mountain). Ash spewed out from Hoei-zan and covered the capital, called Edo in those days, to a depth of six in.

When I was there, Hoei-zan, at 8,864ft, was as black as split ink against the patchy low cloud that hung wistfully in the valleys below. I could make out areas of coniferous trees planted in angular blocks on its slopes, and then a huge area, lighter in colour, along Fuji's southern flanks.

This is a kind of tableland that was denuded of its forest cover when Hoei-zan erupted. Today it is an area of open moorland used by the Self-Defence Force as a training ground for its troops, tanks and jets. Beyond that were swathes of lights from towns and cities, part of the most dynamic industrial region on earth, the Pacific

seaboard from Tokyo to Osaka.

It had taken me four hours to reach the crater rim from where I had left my car at the road-head. The trails are steep, but easy to follow. If you are reasonably fit then a steady plod will get you to the top.

I reached into my rucksack for a sweater as the chill wind at the top quickly nullified the body warmth caused by my exertions. I found a sheltered hollow.

My wife had prepared *omegiri* for me, and I began to munch on the rice ball wrapped in dried seaweed. In the centre was a pickled plum, tangy and sour, and I sucked on the stone, enjoying its refreshing taste.

On peak summer weekends as many as 40,000 people climb Fuji. Like any mountain area, accidents occur, and Fuji has claimed its share of lives. Some Japanese have actually chosen this sacred mountain as the place where they want to die. On the north side is an area of virgin forest called Aokigahara, the Sea of Trees. One of the trails that goes from the base of the mountain to the summit passes through this area.

Hikers are advised to keep to the trail as it is easy to get lost, and minerals in the rocks cause compasses to malfunction. Japanese bent on suicide drown in the Sea of Trees; they wander off the trail and get lost, spending their last earthly hours on the slopes of their beloved Fuji. Each year the police and the Self-Defence Force combine to search the area; on average 20 bodies are found.

With proper equipment it is possible to climb the mountain during any month, but in the winter it should be regarded as a serious alpine expedition. Several thousand climbers are on the summit at dawn on January 1, to greet the New Year.

However, the safest time to climb is during July and August when all of the mountain huts are open. Even so, care is needed because of rock slides.

In August 1990, 12 people - mostly schoolchildren and elderly people - were killed by a rock slide as they descended Fuji by the sunobashiri (sandslide) on the north side. This is a large patch of volcanic sand, and it is possible to get from the summit down to the car-park in an hour if you run and slide.

The sky had changed from black to deep purple and was now lightening to blue. The moon was a pale yellow in a canopy of silver blue stars and orange planets and, tracking through them, a satellite. In the growing light I became more aware of my immediate surroundings. The garbage that desecrates the mountain is unbelievably

at the summit there is a post office as well as numerous vending machines selling sake and beer and soda. Snack stalls offer hot noodles and sandwiches reflecting the altitude. The toilet facilities are primitive. There are souvenir shops selling charms and trinkets and, if you have a hiking stick, you can get it braided to prove that you made the conquest.

It is estimated that just under half the 400,000 who climb the mountain every year are female - which is only right when it is remembered that the guardian divinity of the mountain is a female one: the goddess who makes the flowers bloom.

Down below there were huge streaks of rusting cans beside each hut; on the trails were candy wrappers and soda cans discarded by climbers; around me at the summit were empty boxes that had contained rice meals, smashed beer bottles, orange peel, cigarette ends and wooden chopsticks used once and dropped. It seems incredible that the Japanese venerate this mountain so deeply yet treat it so shabbily.

I was lucky, for conditions were per-

fect the day I climbed. Thousands of feet below, smoke-grey cloud covered the forests and rice fields, and cities. High above, the thin shavings of cirrus had already caught the sun's rays and were bright gold, while out in front a blood-red dawn seeped perceptibly along the eastern horizon.

And then the huge orb of the sun rose majestically out of the mighty Pacific to a chorus of "Ban-ban!"... "Cheer!"... "Long Live Japan!"... "Emperor!"... "Long Live Japan!"

■ When to go: the mountain climbing season is from July 1 to August 31. The mountain huts charge about £40 with evening meal and breakfast, less with out. The huts are spartan and very crowded at weekends. No camping is allowed on Mt Fuji.

All trails are about the same in difficulty: steep and with loose rock and ash. Try to avoid weekends which are busy. Fuji does not require special mountaineering skills in the summer season, just reasonable fitness and persistence.

A stout pair of hiking boots is essential, with gaiters recommended to protect your ankles from the sharp cinder and help keep out the cinders that work their way into your socks. Warm and wind-proof clothes should be worn or carried as it may be hot at the bottom and freezing at the top. Take your own food, snacks and drinks.

ARTS

A long way from the Nile

With its challenging lead roles and prohibitive demands for choral and scenic splendour, *Aida* is an opera that companies do not essay often. Failure in it can be both spectacular and costly, as the opera tempts the incautious into stagings that only end in boom or bust.

The Royal Opera had a bad experience with it last time in 1984. This new production has been entrusted to Elijah Moshinsky, whose previous encounters with Verdi had shown him to be a safe pair of hands. Faced with a relatively small stage and a budget probably of the same proportions, he elected to try the bare stylings in vogue in so many other recent productions.

Moshinsky and his designer, Michael Yeargan, seem to have seen them all. An informed opera audience could spend happy hours spotting visual references that were striking elsewhere and (given the lack of anything else to exercise the mind) probably will. Do not expect pyramids or vistas of the Nile. An imposing curtain decorated with hieroglyphics is the only pointer towards Egypt, while the costumes are outlandish in every sense: the triumph scene looked like a United Nations convention attended by Arabs, Indians, assorted Africans and a few guests who had turned up in fancy dress.

Without being told beforehand, one would be hard pressed to tell that this was a new production, so diffuse is its concep-

tion. For all its pomp and show, *Aida* focusses intensely on several of the themes most personal to Verdi: the tension between church and state, the dilemma of the individual forced to choose between private emotions and public duty. In the final act these opposing forces should generate such intensity that the characters seem torn apart from within.

In fact, the only individual on whom Moshinsky gets a grip is Radames. In this production we watch his precipitous tum-

Richard Fairman reviews Elijah Moshinsky's new production of 'Aida' at Covent Garden

ble from triumphant warrior hailed in a shower of gold to a grizzled, grey-haired, broken man, buried alive while the rigid Egyptian society which has condemned him carries on its daily routine above. Dennis O'Neill is no Pavarotti (the steely vibrato in the voice is an unappealing feature) but he has spontaneously, passion and gusto. He delivered the goods.

Singing her first *Aida*, Cheryl Studer seemingly failed to do that. This voice, which has excelled in so many types of music on disc, is essentially a lyric soprano, on the shallow side for the heavy-

Verdi roles. It was clear from the start that she wanted to make a lyrical (not a dramatic) *Aida*, spinning long Strassian vocal lines, but as the evening progressed her confidence seemed to slip away and her sense of pitch slipped with it. Later performances may find her in better form.

Luciana d'Intino is a young and attractive Amneris, with a fondness for old-fashioned gestures. Her voice is firm, well-centred, just big enough at Covent Garden: she keeps strictly within her means, which would be admirable in any role but this, which asks for a singer who will let rip (as Cossotto did so memorably). Alexandru Agache makes a forceful, brash Amunras. Mark Beesley's King had trouble keeping in tune. A bold Robert Lloyd looks as if he is leading the local Hare Krishna group, but sang with gravity as Ramfis.

His incitement to war failed to enthuse the chorus, whose cries of "Guita" were so tepid as to promise immediate surrender. Edward Downes was the conductor, who roused himself and the orchestra to more urgent action after the interval. Even so, this is a score of violent contrasts, of sounds wildly high and low, loud and quiet, harsh and soft, which he renders as a solid grey. A self-confessed Egyptologist assures me that, when translated, the hieroglyphics on that curtain read, "Yes, bust again! Better luck next time".

Sponsored by P&O. Further performances until July 22 (with changes of cast).

Lohengrin as a parable

A go, Robert Carsen has done rather well. The prolific young Canadian has spent most of his career scoring successes in French and Italian repertoire. Given his ability to tap singers' acting skills and his refusal to over-conceptualise, he was ripe for the wider spaces of Wagner. *Lohengrin* at Geneva's Grand Théâtre fulfills most expectations, while suggesting he still has something to learn.

Carsen sees *Lohengrin* as a parable of man's political and social condition. Like the people of Brabant, we all seek a better world - preferably one in which problems are solved in a twinkle by some miraculous swan-knight - but are brought back to earth by the self-destructive tendencies of human nature.

Brabant, in Paul Steinberg's designs, is a bomb-ed out concrete shell of a building, not unlike a modern theatre or military hangar. Its drab, easily manipulated inhabitants are all too ready to share Elsa's

dream of a saviour to deliver them from internal strife and external threat. That the dream bears no relation to reality is clear when Lohengrin arrives like a romantic crusader stepping out of a 19th century painting.

Dressed in a business suit for Act two, Lohengrin imparts confidence like a politician or merchant banker. After "In fernem Land", he withdraws as he arrived - leaving young Gottfried to plant a tree of hope for the future. The moral?

Don't count on Messiahs, there is no quick fix; humanity must learn to solve its problems the hard way.

Within this late-20th century allegorical framework, Carsen allows words and music to speak with uncommon free-

dom. His handling of Telramund and Ortrud - Wagner's Macbeths - is psychologically acute, while the subtle variety of lighting (Dominique Bruylants) is alone worth the ticket. On the debit side, the choral processes find Carsen floundering for ideas. There is a touch of bathos in the way Lohengrin's swan bows its head like a mechanical toy, and the bed-making routine in the bridal chamber is a comic lapse of taste.

On this evidence, Thomas Moser is probably the finest Lohengrin since James King. The voice has a sweet lyrical ring rather than clarion power, and he shows exemplary control and musicality. With his tall, bearded appearance, he is every inch the part. His Elsa is

Andrew Clark

Final performances June 20, 24, 27 and 30.

Celebrating

de Kooning

J.P. Morgan is proud to sponsor *Willem de Kooning: Paintings*. It's the first major international exhibition devoted exclusively to the paintings of one of the most important figures in 20th-century art.

Organized by the National Gallery of Art, Washington, D.C., in association with the Tate Gallery, London, and The Metropolitan Museum of Art, New York, the exhibition features more than seventy works that trace de Kooning's painting mastery and artistic evolution over five decades.

Willem de Kooning: Paintings opens at the National Gallery from May 8 through September 5, 1994.



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JPMorgan



Every picture tells a story ... 'The Sculptor', 1982, by R.B. Kitaj

Narrative painting gets lost for words

William Packer reviews the R.B. Kitaj retrospective at the Tate

Ronald Brooks Kitaj was born in 1932 in Cleveland, Ohio. His early adult life was spent as a merchant seaman, with intervals of study at the Cooper Union in New York. Then in the mid-1950s, came National Service after which in 1957, he came to England to continue a now subsidised education under the terms of the G.I. Bill. He spent the next two years at the Ruskin School at Oxford, followed by a further three in the Painting School of the Royal College of Art in London. By the early 1960s he was established as a central and influential figure within a loose freemasonry of artists that included not only such college contemporaries as David Hockney, Adrian Berg, Allen Jones and Derek Boshier, luminaries of the British strain of Pop Art, but ranged from Bacon and Freud, Caro and Paolozzi to Hodgkin, Tilson, Blake, Andrews and Auerbach.

He has remained in London ever since, not as refugee or committed expatriate, but by habit, as he puts it, a cultural vagrant after the fashion of Whistler, James, Pound and Eliot. He remains essentially American and an outsider, conscious of his own displacement and ever intrigued by the disident, the stateless and the dispossessed. His own Jewishness gives such self-awareness a particular edge. The diaspora in general and the Nazi persecutions are his constant *leitmotif*.

He has always been a narrative painter, which is to say one who would always impose a reading, a story or scenario, upon the work, no matter how ambiguous or imprecise the physical working of the painting may then render it. Of one of the earliest paintings, the "Tarot Variations" of 1958, he says: "My journal entries for this painting are lost and I can't remember what exactly stands for what, but Eliot claimed that characters and genders melt into each other in *(The Waste Land)* and anyway I have obviously departed with it. It doesn't follow."

He may seem gross to carp at such things, but this intellectual collage-making - which matches the collage-like technique of Kitaj's actual picture-making - masks repeatedly the ever more perfunctory and formulaic nature of the paintings themselves. "Oh how clever and thoughtful and serious an artist I am", he would seem to say, "and so how clever, serious and thoughtful my works must be." It doesn't follow.

The few paintings which are successful, and actually beautiful, such as the tall, thin figures of the mid 1970s, "the Arabist", "the Orientalist" and

of that infinitely greater artist's sense of adventure before the model, takes none of his risks.

This retrospective is overdue for an artist of Kitaj's reputation. It is indeed an important show, though not perhaps in quite the way expected, re-evaluation rather than celebration. What is touching is his honesty, for there is no doubt that he believes in the significance of what he does. Here stands the Emperor in his innocent complicity, for us to see him in all his mortal fallibility.

R.B. Kitaj: A Retrospective; the Tate Gallery, Millbank SW1 until September 4, then on to Los Angeles and New York. **Recent Pictures and Graphics 1974-1994;** Marlborough Fine Art, 6 Albemarle Street W1, until August 20. **A Print Retrospective;** Victoria & Albert Museum, until October 9.

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Sweet
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flight
T

ARTS

Sweet Bird takes flight

Paul Driver on a new production at the National

There were moments during Richard Eyre's new production of Tennessee Williams's *Sweet Bird of Youth* in the Lyttelton Theatre when the American accents affected by a predominantly British cast slipped so badly that I started fantasising about a production done unashamedly in English theatrical tones - a sort of Ascot Williams, full of Wildean pronunciation and poise, though without changing a word.

The power of the play certainly would not be dimmed and a point about its dogged universality would, perversely, be made. Better, at any rate, such bizarre stylisation than a performance in which the linguistic mask of raw passion is constantly being dropped and something like an Ealing comedy seems snickering behind every other word.

The worst offender is Richard Pasco's Boss Finley - Bible-bashing demagogue in the Southern American town of St. Cloud - whose public and private ranting passes muster but who cannot make his conversational tones convincing for a minute. Alison Fiske's Aunt Nannie substitutes sobbing for speech tones, which is cheating a bit. Diane Langton's bar-propping southern belle, Miss Lucy, tries too hard with her accent and is often unintelligible, while Emma Amos as Boss Finley's pretty blonde but - so we discover - venerable daughter, Heavenly, is so measured of speech as to be incredible.

Robert Knepper in the male lead as Chance Wayne is, though, a native speaker and with his James Dean looks,



Clare Higgins as Alexandra: a wonderfully spirited and witty performance

pretty muscled torso, and his authentic air of twitching, fast-talking, last-ditch desperation, altogether appropriate in this gigolo role (originally taken by Paul Newman). But even he produces oddities of speech. Lost in the hotel of heartbreak, he twice at the end tells his client, the ageing film star

Alexandra del Lago, "I couldn't go past my youth, but I've gone past it," and each time emphasises the "it" (rather than "gone"), which does not quite work as an off-the-cuff allegorisation of the enemy. Time.

Chance is a chancer indeed: but when his head is held to the mirror by Alexandra and she exclaims "Face it", I am not sure what I reckon to that particular pun: is it poetry or bathos? This would, of course, be a criticism of the text rather than the production. The text which Eyre uses is, however, specific to the production, compiled (as he writes) from five manuscript drafts, and considerably at variance with the Penguin edition.

It is, for instance, not clear whether Chance is the direct or only indirect agent of Heavenly's infection. The last scene, in which Alexandra's career is restored by the phone-call that seems to finish his hopes, and he remains in St. Cloud to face emasculation by Boss Finley's men, is altered in a way that toys with the idea of redemption.

There are strengths to Eyre's production - this final tableau suggesting purgation is perhaps one of them. I liked the indigo-violet sunset cyclorama, designed by Anthony Ward. Clare Higgins as Alexandra, aka The Princess Kosmonopolis, gives a wonderfully spirited and witty performance, her accent holding as she dispatches such Dorothy Parkerisms as "I'm being used. Why not? Even a dead race horse is used to make glue."

It is, for instance, not clear whether Chance is the direct

Robert Knepper as Chance Wayne

in the male lead as Chance Wayne is, though, a native speaker and with his James Dean looks,

considered the poor relation of Grosvenor House, it has gone from strength to strength, attracting ever more serious exhibits and visitors as well as finding room for more off-beat collectables.

Here, too, furniture and silver enjoyed an exceptional year - some even record sales.

Silver dealers Marks Antiques, for example, sold a pair of Paul Storr wine coolers for around £40,000, and two rare James I goblets for the same sum. The fair drew a record 37,549 visitors - and purchases out of the Metropolitan and Berlin Museums.

A similar tale was told at the International Ceramics Fair

which got off to a rip-roaring

start on June 10. What was noticeable here, unlike Grosvenor House, was that all the really good things seem to have sold, mostly on the first day. English exhibits were far more interesting this year and the quality of the French porcelain as good as ever. Crucially, prices were more competitive too. It was the liveliest

fixture in years.

Anyone doubting that it is

still possible to find exception

al works of art on the market

should make a pilgrimage to Agnew's current show, *Arte Sacra Antica* (43 Old Bond Street, W1, until July 22). In

pride of place among this small

but choice group of 14th and

15th century panel paintings,

illuminated manuscripts and

magdalas hangs a "lost" crucifix by Gentile da Fabriano,

the leading Gothic painter in Italy. The panel, its gold

ground overpainted, had been

sold at Phillips in 1991, cata-

logued as workshop of Ugolino

di Neri, for £88,000.

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identified as the crowning

panel of Gentile's partially re-

assembled

"Valle Romita"

altarpiece of 1410-12 in the

Brera Gallery, Milan, where it

was on display last year.

Despairing of a sale, or perhaps

to force the Italians' hand, the

painting is on offer in London

at £2.5m.

Celebration at the fairs

No one is more surprised than the dealers. From Grosvenor House and Olympia Fair at the Park Lane Hotel, the London art market is humming. Last year, visitors to the Grosvenor House Art and Antiques Fair idly inspected the odd item. But as the doors opened this year, and those at the head of the queue purposefully strode in, it was clear that business was about to be done.

It was clear, too, that the dealers were there to move their stock. Most seem to have decided that they can no longer afford to use Grosvenor House simply as a showcase. Gone are the film pictures, the film sculpture, bravura displays of suites of powder blue and gilt Austrian furniture. Truly exceptional works of art were relatively few, although Angela von Wallwitz was rewarded by showing her spectacular Meissen wine ewer in the form of a fantastical roaring beast. Modelled by J.G. Kirchner for Augustus the Strong's Japanese Palace in Dresden around 1728 and over half a metre high, this found a new home in the first two hours of the private preview.

Most stands appealed to the middle of the market and recorded a high turnover of less expensive items. Good "brown" English furniture

was, as ever, the mainstay of the fair. After Fredericks, for instance, sold half his stand on preview day. The demand for jewels and precious objets d'art appeared no less enthusiastic. By noon on the first day, New York-based A La Vieille Russie had achieved sales exceeding the total of their business at the 1993 fair and by the first weekend, silver dealers J.H. Bourdon-Smith had sold 30 exhibits.

Much to the dismay of the

Business in booming at both Grosvenor House and Olympia this year, reports Susan Moore

Jeremiah, the long-overdue abolition of date-line restrictions this year did not alter the character of the fair. Instead it treated us to Yves Mikaeloff's appropriately surreal display of the petal-backed ebony armchairs that Sue and Marie created for a famous Paris perfumery in 1923, and the traditional likes of the Phillip de Lazzio portrait at the Christopher Wood Gallery. The most unexpected sight was the bare buttocks and suspenders of an Allen Jones tucked in among the old and modern masters at the Dover Street Gallery.

Far more dramatic was the transformation for the better of the appearance and quality of

experience at the fair. George Carter's elegant, understated furniture was that all the really good things seem to have sold, mostly on the first day. English exhibits were far more interesting this year and the quality of the French porcelain as good as ever. Crucially, prices were more competitive too. It was the liveliest

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Manifesto for the masses

The best of miracles, said G.K. Chesterton, is that they sometimes happen. Possibly, but our own century's apparent miracles have a way of backfiring, or emerging as mountebank's legerdemain or the self-deluding optimism of the faithful.

Recent revivals of *A Doll's House* have reminded us of Ibsen's conviction that sexual equality would require a miracle in people's attitudes. And another great dream of our time, the Utopia formulated by communism in response to Marx's theories, is still wistfully or bitterly lingering in the cold dawn of triumphant market forces. *Manifesto* at Battersea Arts Centre, aptly installed in the paternalistically self-assertive architecture of the old town hall in Laverder Hill, is a throwaway for communism that almost turns into the kiss of life.

Volcano Theatre Company, directed by Nigel Charnock, presents physical, stylised performance. They have adapted work by Steven Berkoff and Tony Harrison but for their latest show has no specific author. *Manifesto* draws from sources as diverse as Arthur Koestler and the Dadaists; the French Revolution and Mayakovsky; above all, Marx and Engels.

A sloping ramp like an indoor ski-track is manipulated in the course of this 75-minute exercise. The company comprises four man and two women who play with lithe grace, sinewy elegance and a mixture of menace and irony. At times the text becomes a kaleidoscope of the clichés of political jargon. All sides are given a hearing or, if you prefer, allowed to condemn themselves: revolutionaries, fat cats, liberals, reactionaries, artists and philistines. Other certainties besides death and taxes emerge: that the bourgeois ultimately gets clobbered by everyone, and that no Lloyds name should undermine a creative artist in times of social upheaval.

Images and music range from dancers spouting dialectic as they niftily execute Fred and Ginger numbers; and a prisoner's blindfolded eyes as they no less niftily execute him. Words include first-person recollections of political violence against the bosses of industry, and the pleasantly materialistic credo of a suc-

cessful businesswoman.

After about an hour the ele- gial tone for the Utopia that never was leads to an apparent ending and applause. The actors sidle back, glaring at the audience, pretending to spot such contemptible types as the "Guardian-reading pseudo-intel new man radical", though mercifully not the costive, jaded note-scribbling Financial Times theatre critic. The company has a gift for the striking tableau, the acrobatic tumble, the sculptural grouping. Noth-

ing much is settled, nothing finalised, no decision reached, except perhaps that revolutionary politics is still a primal soup from which something terrible or beautiful or ploddingly mundane may come. The sad little realisation, perhaps, that man is a competitive creature; collectivity is not in the nature of the beast. Full marks for vigour, freshness and passion. I am still not sure about the miracle.

Martin Hoyle

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BOOKS

White man's black hero

Trevor Phillips on a flawed view of a controversial American writer

It was the glossy black *Ebony* which christened James Baldwin "The Angriest Young Man" in 1961. But it was his appearance on the cover of the "white" *Time* magazine, and an adoring interview on CBS' TV prime time news, that established the most successful black writer of the early 1960s as a household name in the US. The radical firebrand was created not on the black campuses of America, nor on the streets of northern ghettos but in the minds of white New York liberals.

White America came to believe that Baldwin spoke for the restless black masses. But the truth is that Baldwin never had the credibility, the staying power or, ultimately, the courage for the role.

Unfortunately David Leeming, who was his "secretary" - a minder, nurse, and fixer - between 1964 and 1967, subscribes to the myth. But it takes an enormous feat of self-delusion to sustain the notion of Baldwin as black hero through 400-odd pages.

He was born in Harlem in 1924 and became one of Harlem's many precocious boy preachers, able to move crowds with his righteous fervour. It is no accident that his most famous essay title came from the biblical warning: "God gave Noah the rainbow sign - no more water, the fire next time".

Harlem was then a ferment of political and artistic life. Baldwin sang a little and had a flirtation with Trotskyite politics as an adjunct to a love affair. But the uneasy awareness of his homosexuality, his evident preference for the company of white schoolmates over black, and his appearance - bulging eyes and a mincing gait - kept Baldwin on the edge of Harlem life. Neither an athlete nor a brilliant scholar, he was headed for life as a storefront preacher or a minor hoodlum. It was the black artist Beauford Delaney who first introduced him to the world of painters, musicians, writers and their black patrons.

Leeming seems embarrassed by Baldwin's homosexuality, presumably because it fatally complicates his position as a spokesman for a community that is notoriously uneasy about what it considers to be deviant sexual behaviour. Baldwin was famously promiscuous, yet Leeming feels obliged to tell us several times that his relations with particular men were "platonic but profound". Baldwin's alcoholism, his chronic self-pity and his feeble attempts at suicide are equally glossed over.

But it is the failure to tackle the issue of Baldwin's authenticity that is most disappointing.

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Anna Karina in Jean-Luc Godard's 'Vivre Sa Vie' (1962). Although acknowledged by the British Board of Film Censorship as "a very fine film", four minutes were cut for fear that Godard's detached look at prostitution might encourage voyeurism and "provoke critical comment" outside London. From 'Censored', Tom Dews Mathews' survey of film censorship in Britain from 1906 to today (Chatto & Windus, £14.99 paperback, 286 pages).

Partisans of the pitch

Behind every kick Peter Aspden finds raging debates on nationhood

Short as the coming weeks will remain to us, one of the last refuges of the American jerk, politically incorrect national labelling which used to be the staple of TV sitcoms and post-prandial discussions in any gentleman's club of your choice. In no other field of activity can one get away with references to bald Africans, jumpy Italians, cynical Uruguayans and those determined, never-say-die Germans who will keep spoiling the carnival. Yet where would today's football commentator be without access to this priceless database of cheap stereotypes?

Simon Kuper's perceptive and highly entertaining account of his travels round the soccer world puts some of these fervently-held beliefs about national behaviour to the test, and finds that behind every kick of a football, there lies a raging existential debate on citizenship and nationhood.

Bill Shankly's pallid aphorism on life, death and Pels' beautiful game would find some unlikely followers among Kuper's animated cast of characters: there is Professor Dr L. de Jong, sober historian of the Netherlands during the second world war, happily admitting to dancing round the room when the Dutch side score; on a summer night in 1988, he watched nine million of his

"staid" compatriots - more than 60 per cent of the population - paraded round the streets to celebrate the nation's 2-1 victory over West Germany in a European Championship semi-final. In the centre of Amsterdam, bikes were thrown into the air in symbolic revenge for the theft, during the Occupation, of all the city's cycles by the German army. After the match, the Dutch captain, Ronald Koeman, admitted to using his opponent's swapped shirt as to turn up to the eye, he may well to ruminate on the fate of

FOOTBALL AGAINST THE ENEMY

by Simon Kuper

Oxford £14.99, 223 pages

some of his Brazilian counterparts: Claudio Coutinho, for example, whose effigy was burned by fans on the very day Brazil reached the second round of the 1978 World Cup, for playing sacrilegiously for

the German team.

Kuper's most extraordinary encounter is with a fan, a very serious fan indeed. Helmut Klopfer is a 13-year-old supporter of Hertha Berlin

when the Wall went up and separated him from his beloved team.

At first, he is joined by a group of East Berlin Hertha

fans next to the wall, listening to, and echoing, the cheers

from across the great divide.

But when the club moved westwards and out of earshot, he

watched nine million of his

teammates leave the stadium.

Kuper is allowed to

emigrate in 1988. Months later,

the Wall came down. He now

watches Hertha but with half

the passion he felt during his

years of ostracisation. It is a

sad, grey story, a million miles

from the screaming colours of

Rio or the ticker-tape

of Buenos Aires, and on a dif-

ferent planet altogether from

the commercial frenzy of the

next four weeks, a football

story, nonetheless.

Fiction/Anthony Curtis

History with a pinch of salt

THE RAGGED LION

by Alan Massie

Hutchinson £15.99, 240 pages

OLIVER'S TRAVELS

by Alan Plater

Little, Brown £15.99, 315 pages

stumbling-block to his strategy by suggesting that when Lockhart came to write his life of Scott he used the original of this manuscript but suppressed those parts of it that he considered discreditable to Scott, and then destroyed it, unaware of the copy.

Here, then, is an unauthorised life of the laird of Abbotsford by a modern Scottish novelist of great distinction. It is a quietly enjoyable read. Massie is outstanding for his use of fiction as commentary on history and contemporary society. His novel about Vichy France was called *A Question of Loyalties*, which would do just as well as a title here. Massie presents a stalwart

and balladeer who invented the historical prose novel - to mention but a few of the contradictory loyalties Massie uncovers. He delights in the pride Scott took in administering his own huge estate, his sense of creating a truly hierarchical community there. If

Border Country was Scott's

location it is also Massie's, who

since 1982 has lived six miles

away from Abbotsford.

The novel is scant of plot,

but is correspondingly strong

on ideas. Hubris comes when

Scott lost his entire fortune in the collapse of the Balaclava printing works in which he had invested heavily. Massie shows him recalling the intricacies of this disaster and his

recovery from it. More original is a supernatural strand that Massie weaves into the tapestry involving a ghostly manifestation in a murky close in Edinburgh Old Town where the hero suffers remorse for his past in a head-on confrontation with a childhood phantom.

Alan Plater was born in Hull and made his name a quarter

of a century ago with his script

Close the Coalhouse Door.

It was a lively entertainment that

unfolded the troubled mining

history of the North East in the Joan Littlewood musical

style.

Since then Plater has had

dozens more successful scripts

and novels to his credit. His

latest picturesque novel *Oliver's Travels* follows a former university lecturer with a passion

for anagrams moving around

Britain on the trail of some

very unsavoury operators, and

partnered by a policewoman

suspended from duty. Their

happy plight is clearly mod-

elled on the pair handclapped

together in Hitchcock's *Thirty*

Nine Steps movie (the earliest

version).

The text is both stiff

with wisecracks and soggy

with nostalgia but in spite of

this Plater keeps his show

on the road and leaves us in no

doubt of his disgust at the cur-

rent state of the nation.

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TELEVISION

BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Legend of Prince Valiant. 8.30 Round the Twist. 9.00 Pentasil 9.10.20 Weather.

10.55 Grandstand. Introduced by Bob Wilson. 11.00 Cricket: Second Test, England v New Zealand. 1.45 News. 1.05 Football Focus: World Cup news. 1.30 Tennis: The finals of the Volkswagen Cup. 1.55 Racing from Ascot: The 2.00 Ritz Club Farn Hill Rated Stakes. 2.05 Tennis and Cricket. 2.25 Racing: The 2.30 Alberto Tombolini Trophy. 2.35 Tennis and Cricket. 2.55 Racing: 3.00 Ladbrokes Handicap Stakes. 3.05 Tennis and Cricket. 3.30 Racing: The 3.35 Churchill Conditions. 3.40 Tennis and Cricket. 4.20 World Cup '94. Live coverage of USA v Switzerland from the Pontiac Silverdome in Detroit. 6.20 News Round-Up. Times may vary. News.

6.30 Regional News and Sport.

6.45 Pop Quiz: Kenny Thomas, Rick Parfitt and Kim Appleby visit their wife, Linda. 7.00 Overent, Francis Rossi and Stuart Adamson in the music game.

7.15 Hit the Road. Celebrity guests Judi Spiers, Bob Colognes, Yvette Fielding, Nell Fox, Ian St John and Gordon Kennedy visit Scotland to undertake a host of bizarre tasks.

7.55 The Paul Daniels Magic Show. Mystery and illusion, including a demonstration of kinetic energy and a display of amazing skills from Bob and Becky Munden. Last in series.

8.45 Film: Days of Thunder. Racing car drama, starring Tom Cruise as an arrogant young driver out to seize the champion's crown. With Robert Duvall and Nicole Kidman. (1990).

10.25 News and Sport: Weather.

10.45 Wet Uncut. The uncensored version of Ruby Wax's interview with Holly wood star Billy Crystal.

11.15 Cricket: Second Test, England v New Zealand. Today's play from Lord's.

11.45 World Cup Grandstand. Colombia vs France. Live coverage from the Rose Bowl, Pasadena. The temperamental South Americans meet the temperamental east Europeans, last-gasp conquerors of Wales in the qualifiers. Plus, highlights of Ireland's first game against Italy, and USA v Switzerland.

2.30 Weather.

2.35 Close.

BBC2

8.00 Open University. 12.45 pm Burke's Backyard.

1.15 Time with Beijerljom. The former Poet Laureate recalls his father, and discusses subjects ranging from Francis Kilvert's diaries to the architecture of East Anglian churches. Last in series.

2.05 The 7th Eurovision Competition for Young Musicians. Humphrey Burton introduces the proceedings as the eight entrants, chosen from 24 European nations including Croatia, Macedonia and Slovenia, compete in the final from the Philharmonic Concert Hall in Warsaw.

4.15 Cricket: Second Test, England v New Zealand. Further live coverage of the third day. Subsequent programmes may vary.

6.30 Standing Room Only. Simon O'Brien and England star Graeme La Saux present a World Cup special, taking a behind-the-scenes look at the most popular of all international sports.

7.05 Scrutiny. Anne Perkins investigates the rise in racially motivated attacks, which have doubled in England and Wales over the past five years, and asks what can be done to reverse this disturbing trend.

7.25 News and Sport: Weather.

7.50 BBC Design Awards. Muriel Gray and a panel of experts visit Japan, Spain and locations throughout the UK to choose five outstanding examples of British architecture. Last in series.

8.30 Goll: US Open. Steve Rider introduces live coverage of the third round from Oakmont, Pennsylvania. Commentary by Peter Alliss, Alex Hay and Dave Mart.

11.10 Seinfeld. Jerry is intrigued when a mystery woman leaves a sexy message on a tape recording of his show, and sets out to discover the culprit's identity.

11.35 Washington Behind Closed Doors. CIA boss William Martin has a showdown with President Mondale and proposes a cynical deal to ensure the survival of both their careers. Last in series.

1.40 Close.

LWT

6.00 GMT. 8.25 Games 3. 11.30 The ITV Chart Show. 12.30 pm Opening Shot.

1.05 ITN News: Weather.

1.05 London Today: Weather.

1.10 NBA Basketball.

2.00 International Rugby Union. Highlights of Fiji v Wales, plus analysis of the four home nations' performances on their summer travels.

3.00 Movies, Games and Videos. Reviews of new cinema releases. Angle, starring Geena Davis and Stephen Rea, and the recent crop of football-oriented games.

3.30 Carlton Time.

3.45 Murder, She Wrote.

5.00 London Today: Weather.

5.15 Bullseye. Jim Bowen asks the questions and guest Rosemary Bader throws for charity in the darts-based quiz.

5.45 Baywatch.

6.40 Stars in Their Eyes.

7.25 The Brian Conley Show. Veteran American rocker Alice Cooper joins Brian Conley for another edition of the comedy and music showcase. Last in series.

8.10 You're Being Fired.

8.50 World Cup '94. Italy v Ireland from Giants Stadium in New York, plus highlights of the USA's clash with Switzerland in Detroit. Presented by Matthew Lorenzo, with commentary by Brian Moore and Ron Atkinson.

11.05 ITN News: Weather.

11.15 London Weather.

11.20 Tour of Duty.

12.15 The Big E.

1.15 Get Stuffed: ITN News Headlines.

1.20 Gas Top Non Stop.

2.20 New Music.

3.20 Get Stuffed: ITN News Headlines.

3.25 Cinema, Cinema, Cinema.

3.55 BPM: Night Shift.

8.00 Hot Wheels.

CHANNEL 4

5.00 4-7M on View. 8.35 Early Morning. 10.00 Trina World Sport. 11.00 Greek Games. 12.00 Sign On: Your Views. 12.30 pm People First.

1.00 Film: The Divorce of Lady X. A nobleman's daughter wins a stuffy lawyer's heart by posing as a divorcee. British screwball comedy, starring Laurence Olivier (1938).

2.40 Film: The Dark Angel. A first world war officer hides the fact that he has been blinded in combat and tries to ensure his fiancée's happiness by persuading her to marry another man. Frederic March stars (1939).

4.35 Rang: Animation.

5.05 Brookdale: News Summary.

6.30 Blind Twins. Film following the everyday problems faced by two 40-year-old blind brothers forced to look after themselves when their mother dies ill.

7.00 Beyond the Pale. Pilot episode. Studio discussion in which a 40-strong audience from a range of backgrounds debates the week's main issues.

8.00 The Sexual Imperative. What factors determine the number of offspring in a family, and why some animals are immediately independent from birth.

8.00 NYPD Blue. The squad investigates the murder of a priest whose body was found in a notorious heart of male prostitution. Sipowicz opens an old case. Last in series.

10.00 The Unpleasant World of Penn and Teller. Another chance to enjoy mischievous comedy by the cult Americans. With Penn Jillette.

10.30 Film: Cold Comfort. A psychotic truck driver kidnaps a businessman as a birthday present for his 16-year-old daughter. Bizarre thriller, with Maury Chaykin (1989).

12.00 Late Licence.

12.10 Hartman's Head.

12.40 Just for Laughs.

1.15 Naked City.

2.00 Stereo MC's: Connected.

3.00 Beavis and Butt-Head.

3.20 True or False.

4.00 Close.

CHANNEL 4

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA:

12.30 Movies, Games and Videos. 1.05 Angle News. 1.30 Games. 1.30 Late Movie. 2.00 The Great American Hoop (TV 1981). 4.00 Angle News and Sport. 11.20 Angle Weather. 11.25 Vengeance: The Story of Tony Cimino. (TV 1988)

12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Games. 1.30 Late Movie. 2.00 MacGyver. 2.00 Central News. 5.05 Cartoon Times. 11.15 Local Weather. 11.20 Puppets on a Chain (1970)

CHARTERS:

12.30 1.05 Charnel Diary. 3.00 Nigel Mansell's IndyCar '94. 3.30 Cartoon Times. 5.00 Central News. 5.05 Puffin's Pictures. 8.10 Cartoon Time. 11.20 Tk. (1978)

12.30 Chronicle Co. 1.05 Grampian Headlines. 1.10 Telefex. 1.30 Nigel Mansell's IndyCar '94. 3.00 Grand Prix Review. 3.30 Grand Prix. 3.30 Vengeance: The Story of Tony Cimino. (TV 1988)

GRANADA:

12.30 America's Top 10. 1.05 Central News. 1.10 Games. 1.30 Games. 1.30 Late Movie. 2.00 MacGyver. 2.00 Central News. 5.05 Cartoon Times. 11.15 Local Weather. 11.20 Puppets on a Chain (1970)

ITV:

12.30 1.05 Central News. 1.30 Nigel Mansell's IndyCar '94. 3.00 Cartoon Times. 5.00 Grand Prix Review. 5.30 Grand Prix. 5.30 Vengeance: The Story of Tony Cimino. (TV 1988)

12.30 World Cup Half of Fame. 1.05 HTV News.

1.10 Nigel Mansell's IndyCar '94. 1.40 Cartoon Times. 3.00 Harry. 11.20 HTV Weather. 11.25 HTV News. 1.05 Cartoon Time. 11.20 Tk. (1978)

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1.10 Nigel Mansell's IndyCar '94. 1.40 Cartoon Times.



Last week *The Spectator* received advance notice of an impending political disaster. It came in the form of a letter from David da Pinna, which warned that "there is a possibility that Great Britain could have a prime minister named Tony. Tony!"

Following the disastrous showing of the government in the European elections, and the cracking start by Tony Blair in the campaign for the Labour leadership, there is indeed a good chance of de Pinna's nightmare becoming reality.

He concludes: "That an important section of the western world could be 'led' by Bill and Tony does not inspire. What lack of dignity. Flower-pot men indeed!"

It is less surprising that an Amer-

Short – not necessarily sweet

Dominic Lawson considers the weighty political and economic significance of a truncated name

ican President could be called 'Bill'. One of the characteristics which distinguishes our former colony from the motherland is the way in which its citizens make haste to shorten their given names. Have you ever heard of an American called Charles? Only 'Chuck' will do. If you are called 'Charles' and you have spent any time in America, you will know, all too embarrassingly, what I mean.

The Australians are similarly besotted with the instantly familiar abbreviation. I have never been called anything other than 'Dom' by

Australians, something which no Englishman has ever attempted even as a joke. But if it was Prime Minister 'Bob' Hawke, who am I to complain?

It is a pity, though, that the habit has caught on in Britain. I used to enjoy teasing 'Chris' Patten at his insistence on the chunky familiar, and I believe that it sounds even odder for a governor of Hong Kong.

If Patten had stuck to his baptismal name of Christopher, he could have enjoyed wearing a plumed hat at his inauguration. But as 'Chris' he had no choice but to break with

tradition, and take the oath bare-headed.

The last time I raised this matter with Patten, he pointed out that at least he, on attaining high office as a Cabinet minister, had not suddenly and mysteriously transformed himself back into a Christopher.

I believe he was referring to Ken Baker, who reinstated his 'neth' on becoming a member of one of Thatcher's cabinets. I have a sneaking feeling that Clarke has also encouraged more of the Kenneth and less of the 'Ken' since he became chancellor. I would have

said that this was an essential political act, that a chancellor called Ken was no sort of guarantee of the value of the pound. But look, we now have a Governor of the Bank of England called 'Eddie'.

At first I thought this a national disgrace, but recently I have come round to seeing the virtue in it. Just as a Labour government needs to be far more financially prudent than a Conservative one to keep the markets happy, so I believe that a Bank of England Governor called 'Eddie' needs to behave with a wholly admirable caution in order to be

taken seriously by teenage currency traders who might very well also be called 'Eddie'. A grandee called Sir Edward George might think he could get away with any sort of nonsense.

However, what is good enough for the Bank of England and the future of the currency is clearly not good enough for the residents of a private housing estate in the town of Midsomer Norton. Those people are very unhappy that the local council – a Labour one – had determined to call the new estate 'Reg Jones Close', after a miner who died two

years ago. The residents, apparently, had assumed that their estate was going to be called Wallow Brook Meadow, and were convinced that the name Reg Jones Close would cause the value of their property to suffer. It was not the fact that Jones was a miner which was the problem – the council has acceded to residents' wishes – nor even his given name. It was that damned abbreviation. One of the residents, complained: "I wouldn't mind Reginald at all. But 'Reg' sounds so ridiculous."

Will the prospect of posthumous ridicule from irate property owners cause Blair to reassess the dignity of 'Anthony'? No, I believe we will have a Labour prime minister named 'Tony'. But at least he won't be called Benn. That really would have been flower-pot time.

Dominic Lawson is editor of The Spectator.

Private View/Christian Tyler

A detective on the trail of life

A whizz-kid of the palaeobiological world, Conway Morris is a man who has a prehistoric surprise or two up his sleeve...

Mankind's ancestor – or something very close to it – is lying quietly in a drawer in Simon Conway Morris's study. *Pikazia* is two inches long, scarcely more than a dark, minnow-shaped indentation in a flake of blue-grey shale.

It does not look like much. But Conway Morris has spent 20 years studying this and other weird little sea creatures crushed in a Canadian mudstone some 525m years ago. To him *Pikazia* is clearly a primitive chordate, a precursor of the fish and, thus, of all vertebrates, including *homo sapiens*.

Conway Morris is perhaps more sardonic than most of us. At 42 he is a lively, approachable and humorous sort of academic, with something of the scruffy, fossil-hunting schoolboy about him.

But he is a whizz-kid of the palaeobiological world, one of a trio of Cambridge University scientists – the others were fellow graduate student Derek Briggs and their supervisor Harry Whittington – whose exploits were dramatised in *Wonderful Life*, a prize-winning science book by Stephen Jay Gould.

According to Gould, the trio's revelations about the multiplicity of strange body-plans found in the Burgess Shale of the early Cambrian period – long, long before the dinosaurs – should shatter Man's last illusions about his special place in the universe.

We have been in psychological retreat for several hundred years. First we were removed from the centre of the solar system, then we were exposed as *parvenu* animals, then we were relegated to an obscure corner of the cosmos. Now, argued Gould, it should be clear that we people are an extraordinary fluke, the lucky survivors of an evolutionary lottery. And if you re-ran the tape it would all turn out very differently indeed.

Well, not quite. The hero of this palaeontological detective story disagrees profoundly with that kind of interpretation of his work.

Would you say, I asked him, that evolution is in some sense progressive?

"Yes, I would. This is not something which is popular. Gould makes the fair point that we are one twig of an enormous tree of evolution, and in that way we are no more privileged than the millions of other planets which are meant to have life on them. Presumably on at least some of them something close to what we identify as consciousness has arisen. It would be strange if it hadn't."

So Conway Morris is not surprised that animal consciousness and big brains emerged on earth. Indeed, he thinks that was indicated as far back as the Cambrian when neural tissue was already evident and creatures had developed enough nervous apparatus to escape their predators. A bigger puzzle, he said, was why *homo sapiens* had been sitting around for 50,000 years doing practically nothing before his mental life took off.

Now was evolution such a great lottery. The appearance of any particular species, such as *homo sapiens*, could be called a big surprise, but a bipedal omnivore was not



"Would you like to see?" He dragged out a blown-up drawing of what looked like a woodlouse. This was *Halkierid*, a sort of hard-topped slug which Conway Morris believes will show how different body plans, or phyla, can develop from a common parent.

"We think that we have more or less cracked the problem of the origin of phyla," he said. "This sounds very hubristic. I've been wrong in the past." (He got one of his Burgess Shale creatures, *Hallucigenia*, upside down.) "But if our ideas are accepted, it would mean we have cracked what has been regarded as a fairly significant problem – the origin of a large number of separate designs over a short period of time."

This discovery, if so it be, coincides with the latest thinking of Cambridge's molecular biologists who have found similarities in the genetic instruction mechanism for creatures as different as mice and flies.

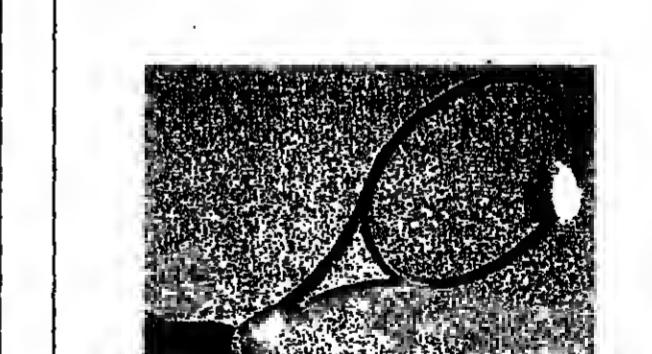
I asked him: Doesn't your engagement with these creatures from an unimaginably distant age make you feel your own existence is pathetically short?

"Hubristically, one would say you can always play it at two levels. By now one knows one's own mortality. It isn't that one has some privileged or special destiny – rather the reverse – but the very fact that one can get such intense enjoyment from things like music, because you are carried out of yourself, those sort of concerns shrink to nothing."

But the fact that we are apparently so contingent...?"

"I suspect so." What makes you say that? "Bunch. Total bunch." You're an odd biologist, then. "Indeed, yes." He pointed to a book among the heaps of papers stacked about the room. It was entitled *Mithras*. "You see, I'm quite interested in theology," he said.

Conway Morris hopes to spring another prehistoric surprise. With the freedom he now enjoys as Reader in evolutionary palaeontology at Cambridge, he has been working in Greenland, with John Peel of Uppsala University on a fossil find about 10m years older than the Burgess Shale.



MATCH POINT



OPENING SERVICE



For reasons that do not matter, I spent part of this week fossicking through the FT's "sportswire" basket, looking for stories about the World Cup. The sportswire basket is one of the baskets in the FT's computer system.

Only the most exotic journalists are allowed near it – no doubt on the assumption that FT writers do not need to know the result of the Coronation Stakes at Royal Ascot, or whether the Colombian soccer team is permitted to smoke grass on World Cup rest days.

I, on the other hand, am allowed to rummage anywhere, including the sportswire basket, which marshals all sports stories filed this week from Pittsburgh.

Colin Montgomerie has been looking forward to the US Open more than anything else this year. But when he tees off at Oakmont tomorrow the big Scot's primary aim will be to try to avoid making a complete fool of himself.

And here is the start of another, filed from London:

It's just what soccer purists feared.

Now Americans are staging the

World Cup, they plan to revolution-

I'll be hornswoggled

Michael Thompson-Noel

HAWKS & HANDSAWS

writer, and was once offered a job by Associated Press, the American news agency, in Virginia.

I could not get a work permit, so I drifted back to London. But my browsing in the sportswire basket reminded me of the starkness and directness of news-agency work, and of the values of sports journalism, which is often regarded snootily by non-sports hacks.

Here is the start of a news-agency sports story filed this week from Pittsburgh:

Colin Montgomerie has been looking forward to the US Open more than anything else this year. But when he tees off at Oakmont tomorrow the big Scot's primary aim will be to try to avoid making a complete fool of himself.

And here is the start of another, filed from London:

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World Cup, they plan to revolution-

until the fourth paragraph that we realised that "making a complete fool of himself" had a technical – gofily – meaning, and wasn't just abuse:

"By making a fool of yourself [said Montgomerie] I mean three or four putting from 10ft, hardly moving the ball in the rough, or thinning or shanking it."

It strikes me that non-sports journalists in Britain could learn a great deal by reading their own sports pages. There is a belief in some quarters that Britain's national press is living through a dark age, or at least a grey one, caused by the ascendancy of accountants and the drive for greater journalistic productivity. As a result, Britain's newspapers, at least at the quality end, have been bleached and leached so violently that they have become fuzzy and unadventurous. Their aggression has been stomped out.

I sometimes wonder whether this lack of aggression is the reason that John Major has survived so long in office. John Major is prime minister of Britain, though to look at Britain you would not believe that anyone was in charge. This is how one story about Major started this week:

A surprise return by John MacGregor to the education department is one of the options being considered by John Major as he prepares for a substantial reconstruction of the government next month.

What a cop-out. How tame.

Instead, a top wire-agency writer might have written it like this:

Prime minister John Major couldn't spell "hornswoggle" if he tried. He even has trouble with "dunce." But to boost his government's IQ into the low 20s, he is plotting a savage ministerial shake-up. Only trouble is, it features the return of John "Brains" MacGregor to the education job.

With the World Cup starting in the US, I would urge journalists on Britain's up-market papers to study the skills and aggression that underpin the work of the sports-writers. If we were as good as they are, Britain's troubles would disperse like mist at the 14th tee.

WIMBLEDON TENNIS CHAMPIONSHIPS 20 June - 3 July

HENLEY ROYAL REGATTA 29 June - 3 July

HAMPTON COURT FLOWER SHOW 6-10 July

1st Test Match v SOUTH AFRICA, Lord's 21-25 July

COWES WEEK 30 July - 6 August

CARRIAGE DRIVING CHAMPIONSHIPS, Windsor 9-11 September

LAST NIGHT OF THE PRIMES 10 September

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